

**THE US FOREIGN AID POLICY AND THE INSTITUTIONALIZATION
OF DEPENDENCY IN THE PERIPHERY IN THE POST-WW2 ERA:
TURKEY AND INDIA COMPARED
(1947-1973)**

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LEYLA SEN

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ANKARA**

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I certify that I have read this thesis and have found that it is fully adequate, in scope and quality, as a thesis for the degree of Doctor of Philosophy in History.

Asst. Prof. Oktay Özel
Supervisor

I certify that I have read this thesis and have found that it is fully adequate, in scope and quality, as a thesis for the degree of Doctor of Philosophy in History.

Asst. Prof. Akşin Somel
Examining Committee Member

I certify that I have read this thesis and have found that it is fully adequate, in scope and quality, as a thesis for the degree of Doctor of Philosophy in History.

Asst. Prof. Nur Bilge Criss
Examining Committee Member

I certify that I have read this thesis and have found that it is fully adequate, in scope and quality, as a thesis for the degree of Doctor of Philosophy in History.

Asst. Prof. Ömer Faruk Gençkaya
Examining Committee Member

I certify that I have read this thesis and have found that it is fully adequate, in scope and quality, as a thesis for the degree of Doctor of Philosophy in History.

Asst. Prof. Galip Yalman
Examining Committee Member

Approval of the Institute of Economics and Social Sciences

Prof. Dr. Kürşat AYDOĞAN
Director of the Institute of Economics and Social Science

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INTRODUCTION

As a milestone in the twentieth century World War 2 (WW2) led various changes in the world order. Parallel to the shift to a bipolar world order, colonial powers of the pre-WW2 era lost their domination over their colonies to a great extent. As an inevitable consequence, the post-WW2 era indicated a new beginning for the center and periphery in the world politics. There were two important changes in the center. The first was the shift of gravity from the United Kingdom (UK) to the United States of America (USA). The second was the bipolarization of the world order that could be formulated as “free world” versus “communist” bloc. While the “free world” bloc was led by the capitalist USA, the superpower of the latter was the USSR. The new international environment shaped by strategies and endeavors to expand the scope of influence of each superpower was labeled as the Cold War. In the midst of this bipolarity the periphery turned into an area of interplay of the superpowers’ strategies and mechanisms for domination or institutionalization of domination.

One of the basic premises that the superpowers relied on in the Cold War context was foreign aid. Due to her shortages and problems the USSR fell behind the USA in this policy, at least, at the very beginning. As the leading superpower, the USA began to allocate funds first to the war-stricken center countries to enable their economic recovery, which was a must for the sound functioning of the capitalist system and to locations where the real and assumed ideological confrontation of two blocs was intensified. Yet by defining the scope of ideological “battle” as the globe, in the process the foreign aid policy was expanded to peripheral countries, which were distinguished by their underdevelopment.

Expansion of foreign aid was possible by the responsiveness of the peripheral countries. Though policymakers of the peripheral countries had reservations about foreign aid mainly by the idea of “aid with strings”, their optimism regarding attainment of the ultimate national objectives by the availability of huge amounts of foreign exchange increased their responsiveness. There were hardly any peripheral countries in the ‘free world’ bloc and among nonaligned countries, which regarded foreign aid as unappealing. Main assumption beneath this high responsiveness was to overcome the fundamental structural problems, namely the foreign exchange shortage as well as low domestic savings that impeded development.

The process, however, proved to be just the opposite of this assumption. The flow of huge amounts of foreign exchange to the peripheral countries did not lead to a high level of socio-economic development. Outcomes of the process could be summarized as economic growth, increased injustice in income distribution, intensified dual structure and regional disparities.

Examination of factors that led to this outcome indicated the prevalence of structural problems of the underdeveloped countries, widely known as *the Third World*, such as low domestic savings, inefficient taxation system, huge deficit financing and deficit in the balance of payments. In most cases the dilemma of the periphery regarding these problems was the discrepancy between the announced determination to solve these structural problems and unsatisfactory implementation of policies aiming to solve them.

As countries in the framework of foreign aid policy of the USA, Turkey and India suffered from this deficiency also. Analysis of the theory (texts) and practice (implementation and outcomes) of the development policies of Turkey and India has reflected a considerable

discrepancy among these. Questioning of the factors that caused this discrepancy reveals technical and strategic dimensions. While the first is related to available human, financial, natural and technical resources, the latter indicates a dual mechanism comprised of inner (ruling elite coalition) and external (center countries) dynamics.

In Turkish and Indian context, inner dynamics were distinguished by the capacity to prevent and/or emasculate programs/projects challenging the related interests. This reaction of the inner dynamics, however, represented only one facet of impact on development policies that could be formulized as the counter positions of the ruling elite and the mass. In addition to this, there were some issues that led to confrontations between the components of the ruling elite coalition. Then the struggle changed into a ruling elite-versus-ruling elite type, during which one component also attempted to manipulate the mass for its own interests.

In the last category of interactions, the confrontation was between that peculiar country (the mass and ruling elite coalition) and the center countries that manipulated and shaped the global setting for their own interests. The last category also reflected divergences, as there were cases when the peripheral country stood in a counter position to the center and also there were cases when all or some components of the ruling elite coalition acted together with the center against the mass or against the mass and other components of the ruling elite coalition.

Despite these divergences, however, in most case contribution of the center countries to the failure of the LDCs' development endeavors was by avoidance of transferring recent technology and contribution to the deviation of the priority sectors, particularly in industrialization. Creating synergies with the national capitalists (bourgeoisie), the center

countries led to the concentration of sectors with easy and quick profit returns without leading to a genuine industrialization.

LITERATURE REVIEW

The concept of development economics, foreign aid and political economy forms the backbone of this study at hand. Thus, at this point, it would be wise to glance at the literature covering these concepts. The literature review covering the period 1960-2002 reveals the wide variety of works parallel to the evolution of development economics. In contrast to the 1950s when the official documents and works on the principles of economic development and economic growth inundate the development literature, in the 1960s a diversification of the issues is observed. W.W. Rostow inaugurated the decade by publishing *The Stages of Economic Growth: A Non-Communist Manifesto* (1960). This is regarded as the masterpiece of the growth-oriented modernization theory mainly due to the immense influence that Rostow enjoyed over the donors and policymakers of the Third World countries.

The Non-Communist Manifesto is distinguished by its ethno- and Euro-centric approach. Arguing that underdevelopment is an original state, Rostow advocates a linear historical process. He defines five stages of growth, which are based on the experience of the industrialized West. During the era under analysis, this work had a considerable impact on development and foreign aid policy despite its serious defections. These defections can be summarized as disregard of the examination of the actual structure of underdevelopment, denial of the historical process of European colonialism and failure to explain the reason why the underdeveloped countries have to pass through the growth stages.

It was Paul Baran and Eric Hobsbawm who thoroughly criticized Rostow's work in their "The Stages of Growth" (1961). Identifying the defections, Baran and Hobsbawm conclude that

Rostow's 'manifesto' is worthless as a model for economic development. In *Monopoly Capital* (1966) Paul Baran and Paul Sweezy, by referring to the monopolization of capital, argue that genuine development could be achieved only through the reconstruction of economy and society on a socialist basis. Rejecting the world capitalist system, Baran and Sweezy underline two major flow mechanisms which prevent sustained economic growth. First of these is the trade flow distinguished by unequal and dependent exchange in favor of the developed countries. The second is the surplus flow from the underdeveloped to the developed countries mainly through multinational corporations. By this examination of the relations between developed and underdeveloped Baran has a considerable impact on dependency theory.

Before Baran, Celso Furtado in his *Economic Growth of Brazil* (1963), *Development of Underdevelopment* (1964), and *Diagnosis of the Brazilian Crisis* (1965) formulates the role of colonialism and foreign capital on underdevelopment. By referring to the consumption patterns in the periphery and effects of the developed countries on the industrialization process of the latecomers, Furtado introduces the concept of peripheral capitalism. By this, he describes the unique pattern of the Third World development distinguished by import-substituting industrialization (ISI), based on the western consumption patterns, inability to generate productive innovations and socio-economic development shaped by the priorities of 'outsiders'. In his context, 'outsiders' means industrial countries and multinational corporations. According to Furtado, apart from colonialism, the developed countries manifest dependence initially on the cultural area. By transplanting their lifestyles to the periphery under the name of 'modernization' the developed countries internationalize their consumption patterns and distort the national priorities of the periphery.

While Furtado represents the first main current of the dependency school in Latin America, A. G. Frank has launched the second current widely known as development of underdevelopment. Frank is a leading critic of the development economics and modernization theory. In *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil* (1967), *Latin America: Underdevelopment or Revolution* (1969) he rejects the growth models that claim a linear historical process. He also rejects the definition of underdevelopment only in terms of internal structures and forces. Instead, he formulates underdevelopment as the product of external structures that have commenced by colonialism.

Frank argues about an indirect proportion between the development level of the satellite countries and intensity of the relations between the satellite and metropolis countries. According to him the satellites experience their greatest development when their ties to the metropolis countries are the weakest. This is due to the nature of relations between the satellite and metropolis countries. The latter developed by exploiting the world's hinterland, 'siphoning of the surplus'. As development of the metropolis has been conditioned by the underdevelopment of the satellite countries, development and underdevelopment are defined as two sides of one coin.

Though the 1960s witnessed the emergence of the dependency school, it is a fact that the USA and its sphere under the US influence undermined the works of the dependency school theoreticians for a long time. Leys explains this restraint to confront the dependency school due to its anti-imperialist notion. Though these circles avoided confronting with dependency theory, at the same time, major strives emerged to enable a consolidation in the mainstream development theory.¹ For instance, Samuel Huntington's *Political Order in the Changing*

¹Colin Leys, *The Rise and Fall of Development Theory*, (Bloomington, Indianapolis: Indiana University Press, 1996), p.64.

Societies (1968) has emerged in the midst of this chaotic atmosphere. Huntington's work has been regarded as a path-breaking one since he has revitalized modernization theory by underlying social classes as well as social unrest in the development process, as crucial but 'forgotten' components in the mainstream development thinking obsessed with economic growth.

In *Political Order in the Changing Societies* (1968) Huntington argues that development and modernization are not necessarily progressive forces. Moving from the statistical data he concludes that there is a direct correlation between stability and low per capita income. While countries with the lowest per capita income are more stable, countries which attain economic growth are distinguished by increased social instability. Huntington explains the core of the problem in the Third World as the inconsistency between the rapid social change and political institutions. According to him, increased inequalities and political participation of the masses in these modernizing societies contradict with the gradual development of political institutions. As these societies lack institutionalized political institutions, the outcome, in most cases, is chaos. Due to this reason, Huntington argues the obligation of any institutionalized institutions or group that could cope with the factors causing political instability. Obsessed with the necessity of authority, he defines creation of effective states as the solution. Huntington's work, which is regarded as a controversial classic, indicates the end of classical modernization theory distinguished by an understanding of an overoptimistic linear historical development.

While the 1960s witnessed the shaping of opposing development theories, the literature of the 1970s portrays a more diversified nature. The diversification is not only among different but also within the same development schools. Moving from the empirical data on intensifying

dualism, inequality and unemployment, some theoreticians within the growth-oriented modernization paradigm have published works which have called for redistribution with equity. In *Economic Growth and Social Equity in Developing Countries* (1973), Irma Adelman and C.T. Morris abandon their previous equation of development with growth. Discussion of the extent of the benefits of economic growth in underdeveloped countries to the most needy in the 1950s and the 1960s 'shocked them'. They refer to the asymmetry between the growth and income distribution with respect to the lower income groups. Another important work of this sort is H. B. Chenery's *Redistribution with Growth* (1974). In this Chenery states that rapid growth in underdeveloped countries have little or no benefit for at least one-third of the population.

Though they diagnose the same asymmetry, Adelman & Morris (1973) and Chenery (1974) have different perceptions on the nature of the relation between the income distribution and economic growth. While Adelman & Morris (1973) define the relationship between economic growth and income equality as conflicting, Chenery (1974) accepts the worsening of relative inequalities while refusing correlation with the worsening of absolute inequalities.

The diagnosis of the relation between economic growth and increased inequalities has reinforced the assumption regarding state's competence with economic development. Though agreeing with the diagnosis, Paul Streeten is the leading theoretician who has challenged the redistribution with equity approach. In his "The Distinctive Features of A Basic Needs Approach to Development" (1977) Streeten argues that the redistribution with equity approach gives much place to chance. Rather than income policies, Streeten claims the necessity of direct governmental provision of basic services, including minimum levels of

material needs such as food, shelter, clothing and access to such essential public services as pure water, sanitation, public transport, health and education.

Yet various scholars, a majority of whom represent political economy current, have questioned the compatibility of this formula by referring to the existing complex power relations in societies. It was Gunnar Myrdal who pioneered the debate concerning the state's equal competence for economic development. In his *Asian Drama: An Inquiry Into the Poverty of Nations* (1968) where he examines the prevailing backwardness in Asia, Myrdal classifies states as "soft" and "hard" to reflect differing institutional capacities. Empirical evidence regarding the 'irrational' implementations and policies of the governments in the LDCs, on the other hand, has led to an increased interest on political economy current. Analyzing the society in a holistic approach, scholars of this current focus on interest group analysis. They emphasize the self-interested manner of human beings who seek the available opportunities to maximize their gains. Related to the interest groups, they conclude that a small group with a common interest would be more effective than the mass.

Thomas Kersteins' *The New Elite in Asia and Africa: A Comparative Study of Indonesia and Ghana* (1966), Guillermo O'Donnell's *Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics* (1973), James Petras' *Politics and Social Structure in Latin America* (1970) and *Class State and Power in the Third World* (1981), A.K. Lal's *Elite and Development* (1980), Olson Mancur's *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities* (1982), David C. Korten and Felipe Alfonso's (eds.) *Bureaucracy and the Poor: Closing the Gap* (1983), and Sanjoy Banerjee's *Dominant Classes and the State in Development* (1984) are some of the works representing political economy current.

As another rising current in late the 1960s and the 1970s the neo-classical resurgence in development literature also examines the irrational behavior of the governments in the underdeveloped countries. Accepting the self-interested manner of human beings, theoreticians argue that the self-interested people have opportunities in a large and interventionist state. Under these conditions, people would neglect the private sector and engage in activities that challenge the welfare of the society such as corruption, rent-seeking and nepotism. They conclude that the possible solution for this is the reduction of the size of the state and its role in the economy. Jagdish Bhagwati's *The Economics of the Underdeveloped Countries* (1966), *Directly Unproductive Profit-Seeking Activities* (1982), Anne Krueger's *The Political Economy of Rent Seeking Society* (1974), *Foreign Trade Regimes and Development: Liberalization Attempts and Consequences* (1978) are some of the important works representing neo-classical resurgence.

Both the redistribution with equity and neo-classical resurgence were attempts to provide an analysis for the emerging realities in the Third World for which the growth-oriented modernization paradigm failed to provide. The general decline in the modernization theory has led to the reconsideration and restructuring of development theory by the theoreticians of this school. The reconsidered development paradigm calls for a dialogue between the North and South. Proponents of this call rely on the idea of a New International Economic Order (NIEO) the main premises of which are cooperation, free trade, debt relief and technology transfer. As an ambitious program, NIEO argues about the upgradation of the economies of Third World and integration of these countries as equal partners. Jyoti Shankar Singh's *New International Economic Order: Toward A Fair Redistribution of the World's Resources*

(1977), and Worm Kirsten's *Industrialization, Development and the Demands for A New International Economic Order* (1978) are some examples of this literature.

While NIEO is the orthodox response to the dilemmas in development economics, the heterodox development school's response is an advanced dependency theory that aims to improve the existing defects of dependency and the world systems theory of Immanuel Wallerstein. The first important name aiming to correct the defection of dependency theory is Fernando Cardoso. In contrast to Frank's terminology, Cardoso argues that metropolis countries are interested in at least some prosperity of the satellite countries. This prosperity is crucial as the latter function as markets for the metropolis countries. Yet Cardoso underlines that a certain level of prosperity does not ensure independence; instead it creates a dependence of the satellite on metropolis countries. In addition to this, Cardoso criticizes Frank's universalism which undermines the variations in the metropolis-satellite relations. He argues about the obligation of close examination at specific local situations.

In the 1970s, African economist Samir Amin has contributed to the dependency theory through various important works, namely *Accumulation on A World Scale: A Critique of the Theory of Underdevelopment* (1974), *Unequal Development: An Essay on the Social Formations on Peripheral Capitalism* (1976) and *Imperialism and Unequal Development* (1977). Amin argues that the distinguishing feature of the peripheral capitalism is its being extraverted accumulation which indicates 'outward-looking' nature of underdevelopment economies. Explaining this in relation with the export activities, Amin points out the shaping of the export activities by the center countries. This leads to a number of structural distortions. An important form of this distortion is the disarticulation in economic activities and social capacities. As the periphery forms potential markets and is the provider of low-cost

production, these distortions are required by the center. The unequal exchange between the center and periphery blocks the sustained economic growth of the periphery while serving the expansion of the center's capitalism.

Immanuel Wallerstein in his *The Modern World System* (1974) defines the world system as a social entity with a single division of labor. In this, all areas are dependent on the others via interchanges of essential goods. He defines three main economic zones as core, semiperiphery and periphery. Defining the spatial relations in this system as exploitative, Wallerstein refers to the flow of surplus from the periphery to the core. While this surplus leads to capital accumulation in the core, this means unavailability of the capital required for modernization for the periphery. In short, in contrast to the orthodox school's emphasis on the mutual interests of 'components' in the global order, heterodox school underlines the exploitative nature of relations.

In addition to the above mentioned works Arghiri Emmanuel's *Unequal Exchange: A Study of Imperialism of Trade* (1972), Andre Gunder Frank's *World System in Crisis* (1979), *Development of Crisis and Crisis of Development: Living in the Real World* (1979), *Economic Crisis and the State in the Third World* (1979), *Rhetoric and Reality of the New International Economic Order* (1983) and *Debt Bondage and Exploitation of the Third World* (1983) are important works of heterodox development literature in this decade.

Literature review of the 1980s indicates the new definition of "growth" within the orthodox school after a decade's search for such a redefinition. This new growth theory conceptualizes the economic growth process concerning endogenous dynamics. The most important of these dynamics is technological innovation and change. In its reference to the role and impact of

knowledge and ideas, the main argument of the new growth theory is the possible positive impact of investment in scientific knowledge, research and development on technological development in large, which could influence economic expansion and growth. Moving from these, proponents of this theory have regarded scientific knowledge and technological innovation as engines of growth. These engines necessitate human capital development.

In contrast to the appraisal of the advantages of technological development and diffusion as a means for the development of the Third World, heterodox development literature, on the other hand, refers to the dependency link that this technology transfer creates. John McIntyre and Daniel S. Papp's *The Political Economy of International Technology* (1986), and Bart Verspagen's *Uneven Growth Between Interdependent Economies: An Evolutionary View on Technology Gaps, Trade and Growth* (1993) are some studies related to this issue.

Along with these mainstream development theories, the 1990s and the 2000s are distinguished by an increasing literature on globalization and alternative measures of development which pays greater attention to the relation between economic growth, increased poverty, degradation of environment and depletion of natural resources. The concept of *sustainable development* covers these fields while enabling feminization of the development literature, as the development economics has become more sensitive to the gender relations.

While literature on development have undergone through these evolutionary stages, another important issue that represents one of the main pillars of development economics in post-WW2, namely foreign aid, is also frequently referred in this study. However, in contrast to the development economics, the clashing views on the issue of foreign aid have not evolved. Instead they have remained unchanged as reflected by general, pro- and con-foreign aid

scholars. In addition to these three main categories of studies on foreign aid, there are various themes within the last two main categories.

General studies on foreign aid present information concerning general principles of foreign aid. Thematic categorization of studies in the pro-foreign aid literature, on the other hand, indicates scholars' preference for a correlation between foreign aid and economic development. An important study among the general ones is Limber Charles Pearce's *Rostow, Kennedy and the Rhetoric of Foreign Aid* (2001) that sheds light on W.W. Rostow's impact on the foreign aid policy of Kennedy administration. Pearce argues that by advocating the notion of alliance for progress, Rostow acts as the impetus in the adoption of the rhetoric of 'peaceful revolution'.

Scholars supporting foreign aid policy argue about the positive impact of foreign aid on the economic development while highlighting possible outcomes in the absence of foreign aid. The humanitarian motive behind foreign aid policy is another theme particularly mentioned in the advocacy of food aid. Those who argue that aid was a humanitarian resource transfer from the advanced countries to the LDCs define the fundamental principle behind the foreign aid as international welfare. Ronald Robinson's *International Cooperation in Aid* (1966), T.A. Sumberg's *Foreign Aid As A Moral Obligation* (1973), H.B. Chenery and A. Strout's *Foreign Assistance and Economic Development* (1965) and W. Moomaw's *Challenge of Hunger: A Program for More Effective Foreign Aid* (1966) are some examples in this category.

Studies, which have a critical approach towards foreign aid, on the other hand, can be categorized into two. While the first category raises the possibility of some positive implications behind the foreign aid policy, the second rejects such a possibility. The first

category of critical literature on foreign aid argues the discrepancies between the ‘desire’ and implementation of the foreign aid policy. While pointing out the possibility of donor’s desire to contribute to the solution of the economic problems of the aid recipient, its practice proved inefficient as an instrument. More than reducing the problems or contributing to the economic wellbeing of the recipient the foreign aid actually has aggravated the recipient’s problems by its negative impact on savings, creating debt problems and diversions from the national priorities of the recipient. In this literature, while some refer to the Cold War context, which militarizes the aid policy, others argue the conflicts between the local dynamics and priorities of the donors. In the process the latter has become more clarified by the argument that more than the objective needs of the aid recipients, donors’ domestic political forces have dominated the foreign aid policy formulation. Paul Bauer’s *Dissent on Development* (1971) and Vernon W. Ruttan’s *U.S. Development Assistance Policy: The Domestic Politics of Foreign Economic Aid* (1996) are two good examples of this category.

The second category of critical literature on foreign aid rejects that foreign aid policy of the donor can have, and in fact had, positive notions related to the aid recipient countries. Defining the foreign aid as completely ‘exploitative’ this literature focuses on the ‘buying power’ notion as the fundamental motive behind the foreign aid policy. Goran Ohlin’s *Aid and Indebtedness of Developing Countries* (1966), Jim Nelson, *Aid, Influence and Foreign Policy* (1968), Harry Magdoff’s *The Age of Imperialism* (1969), Pierre. Jales’ *The Pillage of the Third World* (1969), Teresa Hayter’s *Aid as Imperialism* (1970), Robin Jenkins’ *Exploitation: The World Power Structure and the Inequality of Nations* (1970), Denis Goulet and Michael. Hudson’s *The Myth of Aid* (1971), C.R. Hensman, *Rich Against the Poor: The Reality of Aid* (1971), Klaus Knorr’s *Power and Wealth* (1973), Stephen Weissman’s *The Trojan War: A Radical Look At Foreign Aid* (1973), Mitchel B. Wallerstein’s *Food for War-*

Food for Peace: United States Food Aid in a Global Context (1980), Srinivas C. Mudumbai's *US Foreign Policy Towards India, 1947-54* (1980), Robert Wood's *Development and Functioning of the Foreign Aid Regimes* (1986), Earl Contleh-Morgan's *American Food Aid and Global Power Projection: The Geopolitics of Resource Allocation* (1990), Patricia Adams and Lawrence Solomon's *In the Name of Aid: The Underside of Foreign Aid* (1991) and Sarah Tisch and Miccel B. Wallace's *Dilemmas of Development Assistance: To What, Why and Who of Foreign Aid* (1994) are some of the works representing the critical viewpoint concerning foreign aid.

In his *Development and Functioning of the Foreign Aid*, Wood traces back to the origins of the foreign aid regime down to the Marshall Plan, analyzes the crisis of the dependent development with respect to the inegalitarian nature of the 'development' promoted by the foreign aid regime, indebtedness of the aid recipient countries and possible outcomes of IMF adjustment policies.

While Wood analyzes the creation and institutionalization of the general setting for foreign aid in the post-WW2 era by the superpower of the capitalist bloc, there are numerous works that refer to the identical motives in the Soviet or other countries' aid policies. While Thomas Andersson and Hakan Hellstrom in their *Links between Development Assistance and Donor Country Exports: The Case of Sweden* (1994) refer to trade-arrangement aspects of aid allocation, David Arase's *Buying Power: The Political Economy of Japan's Foreign Aid* (1995) provides a thorough examination that reveals the universality of the objective of foreign aid by the donors. An important book of this sort is about India. In his *India's Aid Diplomacy in the Third World* (1980) Dewan C. Vohra discusses the practice, rationale, impact and future prospects of India's aid diplomacy. Vohra examines the political economy

of Indian foreign aid granted to her neighbor countries, how this policy is developed as a means to peripherize these neighbors while ensuring India's 'center' position in the periphery with special reference to the interests of Indian capitalists in search of markets.

Due to its initial challenge, size, availability of resources and its potentials there is a very large amount of literature about India on a variety of issues including its planning model, development programs, industrialization, failure of the programs, political economy and foreign policy. Scholars supporting the Indian development process refer to the difficulty of governing a sub-continent with a high population growth rate and a highly diversified ethnic structure. Critics of the process, on the other hand, refer to the increased inequalities, intensified duality, regional disparity, and the immense indebtedness of the country which has been far from the announced ultimate objective of self-reliance.

Notion of self-reliance is highly debated in the case of India. In his "Self-Reliance in A Changing World" (1982) Amartya Kumar Bagchi argues about the difficulty of what is aimed by the concept of self-reliance. Yet, there are basic macroeconomic conditions for this concept such as the ability to pursue policies without having to depend on borrowing from abroad or on "an uncertain flow of foreign aid". In this context, Bagchi refers to the direct proportion between the ability of self-sufficient production of technology that the economy requires and the notion of self-reliance. Though accepting the disadvantage of the Third World countries in this respect vis-à-vis the center countries, Bagchi rejects the argument that the Third World misses the chance for self-reliance. For the latter, Bagchi, while referring to the detrimental effects of country's importation level, defines these countries' ability to import, adapt, absorb as well as develop technologies when they are needed as an approximate criterion. Supporting and appraising India's concerns to indogenize the imported

technology, Bagchi argues for the obligation of the continuity of efforts related to this concern by referring to the examples of South Korea and Japan.

Literature on Turkey also reflects a wide variety of studies covering Turkey's development process and its failure with respect to attained outcomes, politics, economic reform acts and foreign policy. Yet, literature on the political economy of the country is scarce when compared to India. Ergun Ozbudun and Aydin Ulusan (eds.) *Political Economy of Income Distribution in Turkey* (1980) provides detailed contextual analyses regarding the inequality of income distribution. The key hypothesis of the study is the divergence of the declared intent and impact of redistributive policies, which is confirmed by the contextual analyses.

Another important work in this category is Irvin C. Schick and Ertugrul A. Tonak (eds.) *Turkey in Transition: New Perspectives* (1987) in which various aspect of the economic development problems are analyzed through a historical perspective. An important essay in the book is Caglar Keyder's "Economic Development and Crisis: 1950-80" where Keyder examines the state policies' impact on capital accumulation and empowerment of various groups parallel to the examination of implemented development policies in rural and urban economy. Another essay of Keyder in the same book is "Political Economy of Turkish Democracy". Here he discusses the distinctive position of Turkey within the Third World with respect to a lack of colonial experience and a possession of a rich political tradition from its imperial predecessor. Despite this difference, however, the outcomes of the development process indicate similarity as the underdeveloped peripheral character of Turkish economy remains unaltered.

Though these essays form important analyzes of Turkey's political economy, leading scholars in the field of development economics and political economy regard Bent Hansen's *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey* (1991) as the first comprehensive study of the political economy of development in modern Egypt and Turkey. Pairing these two countries because of such similarities as being a part of the Ottoman Empire, similarities in population, income and development levels in early 1920s, common patterns in their ISI strategy as well as same unsatisfactory outcomes with respect to increased inequality and poverty, Hansen defines protectionist policies as the main reason which constraint the growth of productivity. While focusing on the economic policies and their implementation, in Turkey section, impact of the interest groups is not a primary concern for Hansen. Instead, he prefers to provide some snapshots regarding the dynamics among some interest groups.

Examination of the literature with respect to comparative studies reveals that although there is a relatively immense amount of comparative studies on India, there is hardly any comparative study on Turkey and India. For the era studied, Berch Berberoglu's *The Political Economy of Development: Development Theory and the Prospect for Change in the Third World* (1992) can be identified. Following the examination of development paradigms, Berberoglu along with Tanzania and Peru provides a brief comparison of Turkey and India as case studies of state capitalism. In this comparison he focuses on the role of the state in the economy, its dealing with the elite groups, particularly the national capitalists, and the role of foreign capital in Turkey and India. In the case of Turkey, state-interest group relations are examined from the 1920s to the 1940s, while in India the particular concern is the power of capitalists and their monopolization under the Indian rule. While Berberoglu defines the role of foreign capital in Turkey as her 'reintegration' into the world economy, in the Indian case the foreign

capital is regarded as the mechanism for India's transition to neocolonialism from state capitalism.

This brief comparative work on Turkey and India excludes the analysis of public resource flow from public to private sector, except the credit issue, growth and inner conflicts of the elite groups and direct or indirect impact of the superpower on the resource allocation in these two peripheral countries. Though Berberoglu mentions the role of foreign capital, he does not raise the role of the USA in promoting this favorable environment. The study also excludes the political economy of foreign policy of both Turkey and India.

The present study entitled as *The US Foreign Aid Policy and Institutionalization of Dependency in the Periphery in the Post-WW2 Era: Turkey and India Compared (1947-73)* qualitatively differs from the previous studies. In the study, Turkey and India are compared with respect to their differences, regardless of the initial resemblances. In contrast to Turkey, whose integration to the world economy was as a semi-colony, with colonization in economic terms not in political terms, India integrated into the world economy as the colony of the superpower of the era. As the first country in the twentieth century who gained her independence after a War of Independence against the imperialist powers, Turkey was a model country for the countries under the colonial powers in the pre-WW2 era, including India. "Obsessed" by the idea of self-reliance, Turkey rejected the country's participation in the international division of labor as an agricultural country in the 1930s. Equating agricultural economy with economic dependence on industrialized countries, Turkish policymakers adopted ISI in the 1930s since, like many other policymakers of underdeveloped countries, industrialization has been the precondition for attaining self-reliance for them.

By this stance, until the end of WW2, Turkey was a model country for the ones who were under the dominion of the colonial powers. India's stance in the international arena following her independence resembles the pre-WW2 Turkish nation building process. Like the Turkish rhetoric of pre-WW2, Indian policymakers challenged the center countries for the sake of full political and economic independence. Yet these similarities in national priorities have disappeared in the post-WW2 era by Turkey's inclusion in the capitalist "free world" bloc. In the meantime, India based her foreign policy on becoming the leader of a 'non-aligned' movement by the challenge of becoming a free bloc away from power politics. Due to this challenge, while the USA endeavored to prevent India's leadership among the non-aligned countries, she promoted an appropriate environment for Turkey's regional leadership for her own strategic hegemonic concerns.

In addition to this differentiation in international arena, Turkey and India represent two typologies within the Third World with respect to their industrialization level, natural resources and class dynamics. While Turkey hardly had any industrial establishments by the time of her Independence, India was the eighth industrialized country in the world by 1947, though lacking a self-sustaining industrial basis. Another difference is related to the availability of natural resources, an important factor that raises the attractiveness of the countries for the center. In contrast to Turkey, India was highly attractive by her abundant natural resources. Last but not least, while Turkish nation builders complained of absence of class dynamics in the society, India had a highly dynamic class structure.

Despite these differences in potentials and industrialization levels, at the end of the studied era both Turkey and India suffered from the same structural and economic problems such as intensified dual social structure, increased inequalities, widespread underemployment and unemployment along with poverty and increased regional disparities. The study aims to diagnose the factors that led to the same deficiencies in the development process of each country. As India becomes independent and each country start to be differentiated in the international arena in the post-WW2 era, the study commences in 1947. It covers twenty-six years and ends in 1973 before the oil crisis. As both countries had to face the belated crisis in their system in late the 1970s I believe that symptoms of the systems can best be diagnosed in 1947-73 era.

Moving from this rationale, the key hypothesis of the dissertation is that the unsatisfying outcomes of the development endeavors are due to the interplay of inner and external dynamics. As the problematic aspect of this contribution is related to resource allocation and capital accumulation, inner dynamics are limited to ruling elite coalition and external dynamics are to center countries, particularly the superpower of the capitalist bloc. Inner and external dynamics of Turkey and India are compared according to this definition. As mentioned above, though there is a huge body of literature on the development of Turkey and India, comparative studies focusing on Turkey and India hardly exist. In the case of Turkey comparisons are made with other ‘devoted allies’ of the USA or some success stories in economic development such as South Korea. In the case of India, on the other hand, the comparative studies predominantly focus on India and China. These two Asian giants with respect to population, size and potentials are compared on various grounds. Yet the most favored topic in these comparative studies is their development endeavors. In addition to

China, India is also frequently compared with either the newly emerged Asian giants or the USSR.

The originality of the present study lies from the fact that it attempts to compare two different typologies in the Third World by a holistic approach. The extensive use of the accessed primary resources has also proven crucial as they shed significant light on various dynamics in the process most of which are relatively disguised. The study is conducted by the examination of large amounts of primary and secondary resources. In the case of Turkey, a considerable amount of archival documents from the American national archives in Maryland, Washington D.C. are available. In addition to these, Journals of the TBMM Records of the era are examined. In the case of India, however, the research conditions are not as favorable as Turkey. Disclosed archival documents in the American National Archives are limited due to “strategic reasons”. Still a considerable amount of documents are not disclosed. Though India has a huge national archive, the studied period is not open to the foreign researchers as announced by the archive authorities. In any case, examination of the journal of Lok Sabha Records is possible. In addition to these, various oral history manuscripts are examined and interviews are made by the high level ex-policymakers or relatives of the policymakers of Turkey. Consequently, the study intends to focus on the interplay of domestic and external dynamics that served to the unattained development objectives of each country.

policy of the USA are analyzed (Chapter I). In the second chapter, development policies of Turkey and India are examined with respect to the divergences between the text and implementation as well as the degree of the attainment of the defined objectives. In the third chapter composition of the ruling elite coalition of each country is analyzed through examining the reactions and countervailing policies of the elite vis-a-vis these programs. In

the last chapter, interactions between the center countries, particularly the superpower, and the periphery are analyzed within the framework of an extraordinary environment, the Cold War.

CONCEPTUAL DEFINITIONS

In the study, there are some frequently used concepts that require explanation. First of these is ‘self-sufficiency’. For the era under study, both in the Turkish and Indian contexts, the national ultimate objective was defined as attainment of self-sufficiency. Examination of texts and debates reveals that by the term self-sufficiency Turkish and Indian policymakers meant a self-reliant economy, which attains genuine industrialization without impoverishment with respect to economic resources and has the ability to develop alternatives when facing with various kinds of obstacles impeding full-capacity functioning of the sectors. In the study, self-sufficiency and self-reliance are used interchangeably. When primary sources and quotations from the policymakers are used, the term self-sufficiency is preferred.

In the study, the dichotomy between the inner dynamics is presented as ‘the ruling elite coalition’ and ‘the mass’. Elite theoreticians in their analysis of the social forces use these two terms. Yet these are not the sole options. Instead of ‘the ruling elite coalition’ these theoreticians variably use other terms while analyzing the social forces. Some of the frequently used concepts are ‘the ruling class’, ‘the elite’, ‘the elite coalition’, ‘the governing elite’, ‘the minority’, ‘the organized minority’ and ‘the rulers’. Similarly, instead of ‘the mass’ other concepts such as ‘the masses’, ‘the ruled’, ‘the majority’, ‘the unorganized majority’,

‘the many’, and ‘the non-elite’ can be used. In the scope of the study, I prefer to use ‘the ruling elite coalition’ and ‘the mass’.²

In the study components of the ruling elite coalition are defined as the political elite, the rural elite, the capitalists and the bureaucracy. The intelligentsia of both countries is not defined as a component of the ruling elite coalition. This exclusion of the intelligentsia is related to its peculiar stance in the society, as defined by the theoreticians. Though sometimes the terms intelligentsia and elite are used almost synonymously, this is not a universally agreed definition. Instead, owing to the changing criteria for elite status in different societies, definition of the intelligentsia as a component of the ruling elite coalition is accepted as the peculiarity of that particular society.

The general exclusion of the intelligentsia is defined with respect to its in-between stance among the ruling elite coalition and the mass. The intelligentsia is in-between by its being the proprietor of specialized intellectual knowledge. As it does not possess capital or the power of capital in influencing the resource allocation, it is not regarded as an elite group. In addition, its less organized and less cohesive features are important factors for its exclusion from the ruling elite coalition. The intelligentsia’s class or elite group position is accepted only in societies where its intellectual knowledge by itself “confers the right of disposition over the surplus product”.³

²For the elite theory and relevant literature see Gaetano Mosca, *The Ruling Class*, (New York: McGraw Hill, 1939); Robert Michels, *Political Parties*, (New York: Free Press, 1966); Vilfredo Pareto, *The Rise and Fall of the Elites: An Application of Theoretical Sociology*, (Totowa, New Jersey: Bedminster Press, 1968); Renzo Sereno, *The Rulers: The Theory of the Ruling Class*, (New York: Harper & Row, 1968); Vilfredo Pareto, *The Mind and Society*, (New York: Dover Press, 1973).

³ For the debate on the issue see George Konrad and Ivan Szelenyi, eds. *The Intellectuals on the Road to Class Power*, (New York: Harcourt Brace Jovanovich, 1979); Eric Conton, *The Few and the Many: Typology of Elites*, (Aldershot: Scholar Press, 1996).

For the era under study, as the intelligentsia of Turkey and India was unable to act by group-consciousness and lacked the power on resource allocation by 'its property' as a group, it is not defined as a component of the ruling elite coalition. Instead it is regarded as a potential pressure group. Yet in the fulfillment of this potentiality the intelligentsia of Turkey and India differ. It seems that in a freer environment the Indian intelligentsia had more chance to act by the intellectual responsibility. In contrast to the Indian case, the Turkish intellectuals failed to a great extent to develop a critical attitude and tradition of intellectuality. A convincing explanation of this failure can be that in a country under the illusion of communist ferment fostered by the literature of "coming of the communism" and various pressure politics the Turkish the intelligentsia was denied the privilege of acting as intellectuals. Consequently, they hardly acted even as a pressure group.

CHAPTER I

DEVELOPMENT PARADIGMS & US FOREIGN AID POLICY IN POST-WW2 ERA

World War II was one of the turning points in history. Its aftermath was distinguished by a bi-faceted reorganizing of the world order. First facet was the competition between the superpowers for the expansion of their sphere of influence. Second facet was observed within the power blocs. The superpower of each bloc endeavored and developed strategies to put the countries in order so as to best serve its own interest. As the analysis of the era indicates, in the US-led “free world” bloc this reordering indicated arrangements which reinforced the aid recipient’s role in the international division of labor, which in essence called for the specialization of the economy. Justified by the prevailing development theory this endeavor’s main pillar was excessive foreign aid.⁴ In this Chapter, redefinition of development theory in the post-WW2 and the meaning and role of foreign aid policy in the post-WW2 era are examined with respect to its motives, stages and types.

Redefinition of Development and Dominant Development Paradigms in The Post-WW2 Era

Development economics emerged in the post-WW2 era. In this respect, WW2 was a watershed for the development theory. In the pre-WW2 era, as an issue, development was identified with the exploitation of the natural resources and opening of the markets of many

⁴The relevant literature includes Harry P. Price, *The Marshall Plan & Its Meaning*, (New York: Ithaca, 1955); Michael Hogan, *The Marshall Plan: America, Britain & the Reconstruction of Western Europe, 1947-52*, (Cambridge: Cambridge University Press, 1987); Walter LaFeber, *America, Russia and the Cold War, 1945-80*, (New York: John Waley and Sons, 1980); Melvyn Leffler, *A Preponderance of Power: National Security, the Truman Administration and the Cold War*, (California: Stanford University, 1992).

Asian and African countries "for the benefit of the mother country". This perception, however, changed considerably in rhetoric in the post-WW2 era parallel to the changes in the political map of colonial powers. Theoreticians and policymakers of the western countries defined economic development of the less developed countries (LDCs) as the most urgent problem. Commencing in nineteen forty-nine, a vast literature emerged on development. It has been accepted that Truman's inaugural message of 1949 where he stressed the need for the countries of the modern world to solve the problems of the LDCs is the official announcement of the new era in development theory.⁵

Development Paradigms in the Post-WW2

i. Orthodox Development Thinking

The dominant development paradigm until the early 1960s is known as the *orthodox development thinking* (known as *diffusionism*, *developmentalism* or *modernization theory*) distinguished by its growth orientation, diffusionist and modernization appeal. In the orthodox development thinking growth and development is defined as inevitable, natural and law-like which all countries are bound to attain. Precondition of this growth is the modernized elite's ability to generate domestic sources and/or provision of required investment resources through foreign aid. It is assumed that by following this stage LDCs countries will attain development.⁶

⁵ H.W. Arndt, *Economic Development: The History of An Idea*, (Chicago and London: The University of Chicago Press, [n.d.]), p.49; Ray Kiely, "The Last Refuge of the Noble Savage: A Critical Assessment of Post-Development Theory?" in *The European Journal of Development Research*, 11:1 (June 1999), p. 31

⁶ Charles K. Wilber and Kenneth P. Jameson, "Paradigms of Economic Development and Beyond" in *The Political Economy of Development and Underdevelopment*, ed., Charles K. Wilber, (New York: McGraw-Hill Publishing Company, 1973), p.7; S.P. Varma, "Models of Development: Search for Alternatives" in *Development, Politics and Social Theory: Essays in Honor of Professor S.P. Varma*, ed., Iqbal Narain, (Sterling Publishers Private Limited, 1989), p.20; Arndt, *Economic Development: The History of An Idea*, p.50-3.

Diffusionist feature of the paradigm is shaped by the so-called trickle down principle. According to the latter, concentration of the accumulated wealth in the hands of the upper segments of the population for the initial stages of the development is a necessity as this acts as an impetus. Main assumption of this principle is that in contrast to the poor segments' tendency to spend their income on consumption goods, by saving and investing higher proportion of their incomes the upper income segments lead to greater savings and growth rates. It is argued that parallel to the higher growth rates more income will be trickled down to lower income strata via the market mechanism. The means that enabling the concentration of accumulated capital into the hands of the upper segments are defined as tax arrangements and subsidies. This principle results in the orthodox development thinking's abstention from the social concerns of development process such as egalitarian income distribution.⁷

While this rationale represents one facet of the diffusionist approach, other facet is related to international diffusion according to which through diffusion of the technological advances from the developed countries to the LDCs, the first contributes to the development of the latter. The international dimension of the trickle down is frequently raised by the US administration particularly in justifying the foreign aid policy.⁸

Modernization appeal of the orthodox development thinking, on the other hand, is its fundamental pillar. In the scope of orthodox development thinking development is defined as a process of modernization, that is "a structural change *process whereby the traditional and backward Third World countries developed towards greater similarity with the Western, or rather, the North-Western world* [*italic is in the original text*]." Theoreticians and donors

⁷Charles P. Oman and Ganeshan Wignaraja, *The Postwar Evolution of Development Thinking*, (London: Macmillan, 1991), p.15; see also Kenneth E. Bauzon, ed., *Development and Democratization in the Third World: Myths, Hopes and Realities*, (London: Crane Russak, 1992).

⁸See addresses of President Truman, Eisenhower and Kennedy

defined the reproduction of the recent economic history of the industrialized countries as a “success model” for the LDCs.⁹

Equation of development with modernization has tremendous impact in this field. Underdevelopment is defined as a common ground both for the developed and LDCs since the first also advanced from this stage. It is argued that due to this common ground all societies progress in a linear fashion along the same path toward development. This leads to a simplified development ‘recipe’ for the LDCs that undermines their inner dynamics. This recipe suggests the repetition of the stages that developed countries had passed in their move to development. End product of this process is defined as the transformation of simple and small-scale traditional agricultural societies to complex, organizationally integrated modern industrialized states which are distinguished by an increasing use of science and technology. The emphasis on industrialization is crucial as it perfectly matches with the objectives of the LDCs. In a consensual manner both the policymakers in the LDCs and development economists defined industrialization as the most prominent feature of capitalist development, economic growth and alleviation of poverty.¹⁰

This definition of industrialization by the paradigm, however, represented a departure from the classical economic rhetoric. In the immediate post-WW2 era the paradigm was

⁹UN Report entitled as “Measure for the Economic Development of Underdeveloped Countries”, 1951 quoted by John Martinussen, *Society, State and Market: A Guide to Competing Theories of Development*, (London: Zed Books, 1997), p.38; Ezzeddine Moudoud, *Modernization, the State, and Regional Disparity in Developing Countries: Tunisia in Historical Perspective, 1881-1982*, (Boulder, Colo.: Westview Press, 1989), p.21; Baldev Raj Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, (Bombay: Popular Prakashan, 1989), p.20

¹⁰Moudoud, *Modernization, the State, and Regional Disparity in Developing Countries: Tunisia in Historical Perspective, 1881-1982*, p.16, 20-1, 25; John Rapley, *Understanding Development: Theory and Practice in the Third World*, (Boulder: Lynne Rienner Publishers, 1996), p.16-8, 21; Arndt, *Economic Development: The History of An Idea*, p.57; Martin Kurt, *Strategies of Economic Development: Readings in the Political Economy*, (London: Macmillan, 1991), p.36; Francine R. Frankel, “Modernization and Dependency Theories: Is A Social Science of Development Possible?” in *Development, Politics and Social Theory: Essays in Honor of Professor S.P. Varma*, ed., Narain, p.93; Varma, “Models of Development: Search for Alternatives,” in *Development, Politics and Social Theory: Essays in Honor of Professor S.P. Varma*, ed., Narain, p.17, 26; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.2

distinguished by its reliance on the comparative advantage principle. According to this, basic requirement of the LDCs was to specialize in the production of raw materials and primary exportable products to finance their imports and attain high economic growth. In this argument theoreticians referred to the development experiences of Denmark, Australia and New Zealand which attained high growth rates by specializing in the production of primary products. Some even attained this only with one agricultural commodity.¹¹

What led to this departure from comparative advantage principle was the low level of economic growth in the countries which shaped their development policies according to this principle. In seeking ways and means of getting higher economic growth in LDCs some theoreticians concluded that industrialization was the fundamental end to resolve many problems of these countries those impeded their economic growth and industrialization. Responsive to the ultimate expectations of the LDCs the inter-industrial relations strand shaped the development policies of various LDCs. This strand served the acceleration of the set up of industrial establishments in the LDCs.¹²

Consensus on industrialization, however, did not mean that theoreticians developed a single recipe regarding the development of LDCs. Instead they developed various strategies which they regarded as the most appropriate for the LDCs' attainment of development. First of these was Rosenstein-Rodan's big push theory. Referring to the high risks for investment in the LDCs, Rosenstein-Rodan argued for the necessity of adopting 'big push' development strategy by the governments of the LDCs to accelerate the process. Main premise of the big push theory is the government's planning to coordinate and provide incentives for

¹¹Bjorn Hettne, *Development Theory and the Three Worlds*, Second Edition, (Essex: Longman Development Studies, 1995), p.40; Oman and Wignaraja, *Postwar Evolution of Development Thinking*, p.7, 9

¹²Varma, "Models of Development: Search for Alternatives", p. 20; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.24-5

simultaneous investment in the infrastructure and several complementary industries that yield substantial increases in national production and simultaneous increases in the size of the domestic market.¹³

As another important contributor of this strand, Ragnar Nurkse recommended balanced growth as the best strategy to attain rapid economic growth rate. Within the scope of this, he advocated the spread of investment over a wide field and expansion of the size and volume of the market. Basic premise of this principle is efficient use of the available scarce resources in limited but complementary industries which act as an impetus for economic growth. In line with the trickle down principle, Nurkse argued for the necessity of a positive discrimination for the entrepreneurs in the growth industries in the redistribution of income.¹⁴

Albert Hirschman, on the other hand, contributed to the development paradigm by developing the adverse of Nurke's balanced growth strategy. Instead, he argued for the necessity of unbalanced growth and deliberate creation of disequilibria as the best way of achieving development. In this his main concern was inter-industry linkages. The more active sectors that led sub-branches and multi-activities had to pull the more passive ones forward. This disequilibria was recommended not only in industry but also between industry and agriculture. Hirschman's analysis suggested a concentration of investments in key large-scale industrial projects which were likely to have the largest number of linkages. As the concern was large-scale industrial establishments, Hirschman defined economic planning as an inevitable requirement for the governments. Following his strategy and recommendations, donors

¹³Rapley, *Understanding Development: Theory and Practice in the Third World*, p.15; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.16-7; T.N. Rao, *Nehru and Planned Development*, (New Delhi: Manas Publications, 1987), p.18.

¹⁴Gerald M. Meier, *Leading Issues in Economic Development*, (New York and Oxford: Oxford University Press, 1989), p. 82-3; Hettne, *Development Theory and the Three Worlds*, p.42-3; Varma, "Models of Development: Search for Alternatives", p.19; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.18-20; Rao, *Nehru and Planned Development*, p.18

conditioned development plans for foreign aid allocations. The LDCs, on the other hand, centered their plans on industrial sector while neglecting agriculture.¹⁵

Among the theoreticians of the inter-industry relations strand Rostow had a peculiar stance owing to the ideological notion of his manifesto which had a tremendous impact on the US administration in its dealing with the recipients as well as its influence on the formulation of development strategies in some Third World countries. Entitling his manifesto as a “non-communist’ one, Rostow portrayed development as an essentially linear historical process consisting of five consecutive stages. Like other theoreticians of this strand his focus was on industrialization and economic growth.¹⁶

Developed as an international version of trickle down, Rostow supported a diffusionist model for the Third World. The model was based on the assumption that diffusion of capital, technology as well as culture from the advanced western countries to the underdeveloped countries led to economic growth. Pillars of this diffusion process were economic and technical aid, capitalistic investment and trade. The criterion for success was the timely flow of these resources to the LDCs. The envisioned outcome of this process was the economic growth of the LDCs which offered new markets for the advanced countries.¹⁷

These theoreticians influenced the development economics at varying degrees. Their common point was industrialization’s being the fundamental means to get rid of underdevelopment. Critics of this strand, however, pointed out their neglect of the agriculture. In the endeavor to

¹⁵Meier, *Leading Issues in Economic Development*, p.82-3; Tibor Scitovsky, “Balanced Growth” in *The New Palgrave: Economic Development*, eds. John Eatwell, Murray Milgate, and Peter Newman, (New York: W.W. Norton, 1989), p. 57; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p. 20-2; Hettne, *Development Theory and the Three Worlds*, p.42-3; Rao, *Nehru and Planned Development*, p.20

¹⁶Rao, *Nehru and Planned Development*, p.16-7; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.10

¹⁷Merrill, *Bread and the Ballot: the US and India’s Economic Development, 1947-63*, p.153-5

find an answer for means that would serve rapid economic growth and development, these critics constituted the other strand in the orthodox development thinking, namely dual economy models that deal with inter-sectorial relations.

The main premise of the dual economy models was the indirect proportion between the modern/capitalist and traditional/subsistence sectors. Disappearance of dualism in favor of the modern/capitalist sector was the basic criterion of development. This reasoning led to more emphasis on the modernization of agriculture which formed the traditional sector in the LDCs.¹⁸

The first leading theoretician in this strand is Lewis with his model. In this model Lewis defined the modern/ capitalist sector as the one with hired labor and sale outputs and traditional/subsistence sector as the one distinguished by self or family-employment, and by low and marginal productivity of labor. Lewis assumed that by the expansion of the capitalist sector in the LDCs the traditional sector vanished. As the capitalist sector expanded by reinvesting capital surplus, labor would “migrate” from the subsistence sector to wage employment. The capitalist surplus would become larger and would further be used for investment. Expansion of the capitalist sector would continue until the absorption of surplus labor from the traditional sector was complete. This process would lead to increase in national income profits, incomes and capital formation. Lewis believed in the importance of capital accumulation and the capability of the capitalist class to save and invest their savings in industrialization.¹⁹

¹⁸Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.37

¹⁹Ibid., p.39; Varma, “Models of Development: Search for Alternatives”, p.19-20; Hettne, *Development Theory and the Three Worlds*, p.42-5

Another important model in this strand belongs to Ranis and Fei. They claimed that a process of excess labor transfer from the traditional sector to the modern sector resulted in the full development and commercialization of a developing country's economy. They emphasized the role of capitalist accumulation in the promotion of industrialization and went further in stressing the interdependence of agriculture and industry in the evolution of the dual economy and recognized the dynamic impetus provided by technological change, particularly in agriculture. Consistent with its neoclassical approach, the logic of the model implied a rural structure with land owned or at least controlled largely by landlords and peasants providing wage labor.²⁰

As a result of dual economic models, as well as concrete unsatisfying outcomes in agricultural productivity in the early 1960s, literature on modernization of agriculture largely expanded. These two factors convinced the policymakers about the necessity of some policies to increase agricultural production. These led to the justification of Green Revolution which enabled higher production outputs. This agriculture-favoring literature, however, did not disregard the importance of industrialization. Instead it required a sound industrial basis as the intense agricultural activities increased the amount of surplus labor in agriculture.²¹ By its recognition of the importance of industrialization for less developed countries the dual economy model differs from the third strand, namely the neoclassical resurgence of the late 1960s.

During the heyday in the 1950s and the 1960s in the development economics various theoreticians and economists criticized import-substitution industrialization (ISI). Critics pointed out that protectionist policies interfered with the natural process of economic growth. Emphasis of the critics was that LDCs had to remain as the producers and exporters of

²⁰Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.39-40

²¹*Ibid.*, p.44, 50-7

primary products and had to encourage growth of their agricultural sectors and plantation economies. These criticisms were in line with the cornerstones of the classical and neoclassical theory, namely with comparative advantage principle and international trade in which the goods and capital flow freely. Parallel to the increased problems in the ISI, these criticisms grew intensified and led to a neoclassical resurgence. This, however, did not receive much response from the LDCs. In their refusal of the rationale of this neoclassical resurgence, policymakers in the LDCs pointed out the increasing discrepancies in the prices of the agricultural and industrial export goods and limited market opportunities for primary goods.²²

The last strand of the orthodox paradigm was reformist, the so-called ‘redistribution with equity’ school which departed extensively from the above-mentioned strands. The common feature of the above strands is their growth-orientation and restraint from the equity aspect of the attained growth level. None of them had a concern about the income distribution, mainly due to their reliance on the trickle down principle. Instead of equality in income distribution, theoreticians argued in support of the impetus-sort of role of inequality in the initial stages. This was acceptable for them as they were sure that at the end the benefits lead to an improvement in life standards of all segments of the population. The wide agreement they shared was that capitalist development had to have a stronger ground than just being nice. As Lewis wrote in 1955, growth of output was not synonymous with the growth of happiness or welfare. Instead he mentioned an antagonism between these two, though with some reservations.²³

²²Wilber and Jameson, “Paradigms of Economic Development and Beyond”, p.11-2; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.67-9, 72

²³Martin, *Strategies of Economic Development: Readings in the Political Economy of Industrialization*, p. 49,57; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p. 24-5

Empirical studies of the early 1960s revealed the “antagonism” of the two in the form of increased unemployment, increased inequality in income distribution, and widening dualism in LDCs as well as international dualism with respect to science and technology. In short, concrete proofs of the failure of the trickle down (diffusion) mechanism were obtained both nationally and internationally. Diagnosis of these outcomes as well as increased frustrations of the populations at large, led development literature to shift from the economic growth to a broader concept that covered reductions in poverty, unemployment and inequality. Accordingly, the reformist development thinking’s special attention was three major interrelated areas, namely employment; agriculture and rural development; poverty and redistribution with growth and basic human needs.²⁴

As a result of this strand, in the early 1970s the World Bank (WB) began to urge the governments of the LDCs to conduct a direct attack on poverty by re-orienting their development policies. It adopted redistribution with equity approach. As a strategy it sought to raise productivity and incomes sufficiently to allow all groups of the poor to meet their basic needs. Main pillars of the WB’s approach were employment generation, redirecting investments, meeting of basic needs, human resource development and focus on the distribution of the benefits of growth to the poor.²⁵

²⁴Meier, *Leading Issues in Economic Development*, p.83; S.C. Dube, “Development Theory: From Present Impasse to a Fresh Orientation” in *Development, Politics and Social Theory: Essays in Honor of Professor S.P. Varma*, ed., Narain, p.11; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.97-9; Wilber and Jameson, “Paradigms of Economic Development and Beyond”, p.11-2; Frankel, “Modernization and Dependency Theories: Is A Social Science of Development Possible?” p.93

²⁵Wilber and Jameson, “Paradigms of Economic Development and Beyond”, p.13-4; Hettne, *Development Theory and the Three Worlds*, p. 46; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.99, 106

ii. Heterodox Development Thinking

Increased problems due to the pursued development strategies and questioning of the dominant development paradigm led to the emergence of not only a reformist strand within the orthodox (diffusionism or modernization) development paradigm but also radical development paradigms such as dependency theory. Theoreticians who initially accepted assumptions of orthodox development paradigm developed dependency. Radical or heterogeneous aspect of the paradigm is related to its definition of the nature of interaction among the developed countries and LDCs. While heterodox development thinking portrays the world economy as the dichotomy between the 'center' advanced countries and 'peripheral' less developed countries, orthodox development thinking does not accept the center-periphery dichotomy.²⁶

Though dependency paradigm is identified with the Third World, the first major development thought produced in the less developed countries is structuralism. Emerging in the late 1940s and 1950s, structuralism defined the problems in the less developed countries as structural rather than conjunctural. For structuralists the problem was not unemployment but underdevelopment, which led to the emergence of these problems. The structuralists explained the problems of LDCs in the context of center-periphery dichotomy whose production structures were definitely different. The production structures of the periphery were heterogeneous with the coexistence of modern and traditional production techniques and specialization in very few crops. As a result of the latter exports were limited to a few primary products with little diversification. The center, on the other hand, was distinguished by its homogenous and diversified production structure. While modern techniques were used in

²⁶Frankel, "Modernization and Dependency Theories: Is A Social Science of Development Possible?" p.100; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p. 135; see also S.D. Muni, "Dependency Theories and Development: Dilemmas of the Third World" in *Development, Politics And Social Theory: Essays in Honor of Professor S.P. Varma*, ed., Narain.

overall economic field, production covered a relatively broad range of capital, intermediate and consumer goods.²⁷

According to structuralists, heterogeneous and specialized production structures were shaped mostly during the period of outward-oriented growth. However, as seen in many countries the shift to inward-oriented growth and ISI did not lead to the disappearance of heterogeneity and specialized structure. Instead these were reproduced in new forms such as chronic unemployment, recurring external deficits and deteriorating terms of trade. Structuralists also opposed free international trade as they regarded it as a way of transferring income from the periphery to the center due to the technological superiority of the center.²⁸

Basic policy position of the structuralists was development via industrialization. They rejected a laissez-faire strategy based solely on comparative advantage and spontaneous market-oriented industrialization, as both of these could not have overcome the problems in the production structures. Instead they asked for deliberate policy-supported industrialization as the necessary route. Principal policy instrument is defined as investment planning and coordination that was referred as 'industrial programming' to distinguish it from socialist planning. Though in the 1950s the structuralists defined industrialization as the sector to meet domestic needs in the 1960s they defined it as a means to provide foreign exchange. Diagnosing the detrimental effects of foreign exchange shortage, they argued in support of the need for non-traditional, particularly manufactured exports not only to the center but also to peripheral countries. In this they also suggested regional groupings among the peripheral countries. This view had a considerable impact on the Third World.²⁹

²⁷Rapley, *Understanding Development: Theory and Practice in the Third World*, p.15; Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.137, 139.

²⁸Oman and Wignaraja, *The Postwar Evolution of Development Thinking*, p.139, 143.

²⁹Ibid., p.142-3, 153.

As the second major development thought emerged in the Third World, dependency was a radical response to the diagnosed failing outcomes of the development policies that were prepared and implemented in the framework of orthodox development paradigm. Main point of the dependency theory is that basis of the exploitation was center/metropolis and periphery/satellite relationship. Theoreticians of dependency had the consensus that various efforts to build 'bourgeoisie nationalist' or 'national capitalists' or more recently 'state capitalist' solutions at the end fail since social classes on whom such solutions are based on one or more factions of the local bourgeoisie are themselves limited by their role in the international system. They might advocate an independent or nonaligned foreign policy but as long as they follow the capitalist road those countries will depend on foreign investment and thus, eventually would make their compromises with foreign interests. Regardless of their intentions to implement far-reaching domestic reforms, they are limited in practice by the legacy of dependency as institutionalized both within their own class interests and alliances and in the existing industrial base. Features of the latter is technological dependency, increased foreign control over the most dynamic and strategic industrial sectors via direct ownership, control of marketing and patterns of licenses, by an outflow of capital which was greater than the inflow derived from aid and direct foreign investment, by the absence of a domestic capital goods industry and hence by growing unemployment and marginalization.³⁰

Main point of attack was that modernization theory is an ahistorical and ethnocentric analysis. According to dependency theory, owing to the unequal exchange between the center and periphery, the first continue to extract huge sums of capital from the periphery. Initially, it was also argued that center countries did not want the periphery to develop heavy industries in general which was called as real industrialization. Later this argument was abandoned and

³⁰Ibid, p.164-5

theoreticians concluded that what the center opposed was the transfer of the recent technology to the peripheral countries in order to preserve their dominance in industry. Plus, they abandoned what they initially regarded the “development conflict” as a zero-sum game. Instead of the previous definition of the impossibility of the LDCs gaining from their relation with the center, they mentioned the possibility of some economic gains. Yet even these gains were not free from cost as the LDCs paid this back in terms of political dependence.³¹

Importance of these development paradigms rose from the fact that they influenced policymaking processes of both the donors and underdevelopment countries. The LDCs prepared and implemented their development policies according to the dominant development paradigms. Later influenced by the dependency theory, there were various peripheral countries that attempted to develop a genuine Third World development model alternative without much success. Center countries, on the other hand, relied on the orthodox development thinking in justifying and shaping their policies and policy recommendations. It was the orthodox development thinking that provided the required theoretical setting for the foreign aid policy, or as some defined, the foreign aid regime.

US Foreign Aid Policy in the Post-WW2 Era

Beginning in mid-forties the USA commenced an extensive foreign aid program. By the rationale that formation of sufficient domestic capital was a distant possibility for any country until it reached a relatively advance level of industrialization, the American policymakers defined foreign aid as imperative for the development of the LDCs. As a factor foreign exchange shortage hindered the importation required inputs or raw material, things that were

³¹Huseyin and Caroline Ramazanoglu, “Current Problems in Conceptualizing the Uneven Development of Capitalism” in *Turkey in the World Capitalist System*, ed., Huseyin Ramazanoglu, (Aldershot: Avebury, 1985), p.16; Kutlay Ebiri, “Turkish Apertura” in *Turkey in the World Capitalist System*, ed., Ramazanoglu, p.112.

accepted as the prerequisites in the industrialization move of a developing country.³² It was in this context that the strategically important LDCs began to receive excessive amounts of foreign aid allocations from the USA or US-led international organizations, widely known as Bretton Woods organizations if they aligned themselves to “free world” bloc, such as Turkey, or even non-aligned, but regarded as a potential allied country, such as India.

Foreign aid policy of the USA was based on three main pillars according to which its profile and guidelines were determined. Though in the process, programs under new names such as Mutual Security Assistance emerged owing to the evolutionary stages, pillars of the foreign aid policy remained unchanged. These were the Turkish-Greek Assistance Program of 1947, widely known as Truman Doctrine, the Economic Recovery Program, widely known as Marshall Plan and the Technical Assistance Program, widely known as Point Four Program.

As a process, the foreign aid policy of the superpower commenced by lend-lease. This was the pioneer of the post-War aid policy. By lend-lease, the USA extended aid to countries that were engaged in the WW2. However, the episode of extensive foreign aid policy with a global appeal commenced by the Greek-Turkish Assistance Act, widely known as *Truman Doctrine*, which was announced on March 12, 1947. Truman Doctrine has been regarded as the forerunner of the Marshall Plan, the Point Four program and other programs undertaken by the Truman Administration to meet the new responsibilities that had been thrust upon the USA as the postwar leader of the “free world” bloc.³³

³²Ibid., p.13-4.

³³Oral History Interview with William Rountree, Deputy Director of GTI, 20 September 1989, Harry Truman Library, p.18; Ruth Logue, *History of the US Foreign Aid Since the WWII*, Report Submitted to Federal Reserve Board, 24 April 1961. Huntington Papers, Truman Library, Independence.

As a declaration of an “ideological crusade”, Truman Doctrine became “an ideological shield behind which the US progressed to rebuild the western political- economic system and counter Communism.”³⁴ What made the program a milestone was its global appeal. This meant that scope of the program was not restricted to any country or region but was global in the struggle against totalitarianism. Truman announced that the U.S.A., from that time on would stand against “totalitarian regimes imposed on free people by direct or indirect aggression.” USA would also support “free people” who were resisting any attempted “subjugation”, whether by armed minorities, as in the case of Greece, or by outside pressure, as in the case of Turkey.³⁵

Following the Greek-Turkish Assistance Act, the European Recovery Program (ERP), widely known as *the Marshall Plan* was introduced as a second extensive foreign aid program. Its scope was not limited to one country but covered all war-hit western European countries as well as countries regarded crucial for the recovery of these war-hit countries such as Turkey. ERP was enforced on March 13, 1948 by the margin of 67 to 17 and the Congress authorized \$ 5.3 billion for the first year of ERP. On April 1, 1948 Truman signed the Foreign Assistance Act of 1948, which was approved by the 80th Congress as Public Law 472. The U.S. committed \$12.4 billion to European recovery for the next four years. To administer the ERP, the Economic Cooperation Administration (ECA) was established as an agency independent of the State Department.³⁶

³⁴Walter LaFeber, *America-Russia and the Cold War, 1945-80*, (New York: John Wiley and Sons, 1980), p.58-9.

³⁵Logue, *History of the US Foreign Aid Since the WWII*, Report Submitted to Federal Reserve Board, April 24, 1961; see also Michael Hogan, “American Planners and the Search for A European Neocapitalism”, *American Historical Review*, 90:1 (February 1985).

³⁶Oral History Interview with Henry Lucien Bonnet, French Diplomat to the U.S., 1944-45, 29 June 1970, Harry Truman Library; Price, *The Marshall Plan and Its Meaning*, p.93; Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-52*, p.28, 30; Robert Pollard, *Economic Security and the Origins of the Cold War, 1945-50*, (New York: Colombia University, 1985), p.149-50.

Conditioned by the ERP, aid recipient countries established the Organization for European Economic Cooperation (OEEC) on April 16, 1948. Through the OEEC, sixteen European countries agreed on the coordination of their economic endeavors, including the exploitation of their natural resources and commercial capabilities, modernization of their industrial and agricultural equipment, reduction of trade obstacles, striving for full employment, and restoration and maintenance of economic stability. Finally, they agreed on working for a worldwide free flow of goods and capital. The OEEC demanded individual proposal and plan from each participating country compatible with their problems. It was assumed that these country programs led to the attainment of the ultimate objective of the ERP. Its ultimate objective was defined as having self-supporting Western European countries with viable economies by the program's termination in four or five years.³⁷

Since the battlefield was set globally the next action field was the underdeveloped areas which constituted two-thirds of the world population. The aid program aimed at these areas was the Technical Assistance Program, widely known as *Point Four*. In his inaugural address of 1949 Harry Truman announced the necessity of embarking on a bold new program that enabled the flow of the benefits of US scientific advances and industrial progress to the underdeveloped areas for their economic growth and development.

Following the explanation of the misery of the underdeveloped areas, Truman underlined that in this “new bold program” of the US there would be no place for old imperialism and exploitation for foreign profit. Instead, the US envisaged a program of development based on the concepts of democratic fair dealing. Task of the USA in the process that would be initiated

³⁷Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-52*, p.72, 74, 427; Leffler, *A Preponderance of Power: National Security, the Truman Administration and the Cold War*, p.158; Robert Marjolin, Secretary- General of OEEC, *A European Way of Thinking: OEEC At Work For Europe*, Papers of Paul G. Hoffman, Harry Truman Library, Independence.

by this program was defined as provision of the required assistance, particularly technical, as well as promotion of private investment until the LDCs raised their economic standards. The program was not considered as a stopgap plan, but a developmental one. This meant that it would be based upon development plans country-by-country and region-by-region. These plans had to be consistent with anticipated multilateral world trade patterns.³⁸

Truman's particular emphasis on 'old imperialism and exploitation' was an appeal to the most sensitive issue for the ex-colonies. It was also a maneuver to differentiate the USA from the colonial powers against which there was a deep-rooted hatred in the ex-colonies. This appeal of the superpower, however, received the reaction of the ex-colonial powers. Observing the reluctance in the colonial offices of these ex-colonial powers, the American policymakers pointed out their interpretation of this initiative. According to them, through this new program, the USA, in fact, embarked upon a new program of 'American imperialism' to take over these colonies.³⁹

In the midst of raised expectations of the LDCs, Point 4 legislation was enacted as PL 435, in the 81st Congress with Title IV being the Act for International Development (AID). Objective of the Act was defined as aiding the developmental efforts of the economically underdeveloped areas. Means for this end was defined as the maximum utilization of the private and public resources of the USA.⁴⁰

³⁸Memo on the Administration of Point IV, 4 January 1950, Papers of George Elsey, Harry Truman Library, Independence.

³⁹Statement of Paul G. Hoffman, ECA Administrator Before the House of Representatives, Committee on Foreign Affairs on January 13, 1950, Harry Truman Library, Independence.

⁴⁰Status of Point IV Program, United States Department of Agriculture (USDA), 10 February 1950, Papers of Stanley Andrews, Government Service File, 1950, Harry Truman Library, Independence.

For the administration of the program an administrative agency, the Technical Cooperation Administration (TCA) was established in the Department of State on October 27, 1950. The Department of State was authorized as the implementing agency of the Program. Despite its encouraging notions, however, the allocated budget for this program's implementation was very modest in comparison to the ERP. For this program, AID authorized a thirty five million-dollar allocation for the first year, a twelve million of which was allotted to the United Nations.⁴¹

Regardless of the devised aid programs in the successive years, these three aid programs constituted the basis of US foreign aid policy. Parallel to these programs, the center countries led by the USA created instruments of the capitalist economic order namely the IMF and the World Bank in which the foreign aid policy found its real setting. These instruments were designed at a conference held at Bretton Woods, in the New Hampshire in 1944. Owing to its most powerful stance in the post-WW2 era, arch-shaper of these institutions was the USA. Though the center countries, in their dealing with the Third World countries later on, used both the IMF and the World Bank, in Bretton Woods the LDCs were not the issue. Main concern of the debate was the indebtedness process of the European nations.⁴²

Both the IMF and the World Bank were created by political and economic considerations. The famous American memorandum of 1942 put guidelines of the future action in terms of dealing with the crisis of the world capitalist system. According to this, various international organizations had to be established for the exchange stability, to deal with balance of

⁴¹*First Annual Report on the Act for International Development* by Harry Truman, Student Research File (B File), The Point 4 Program, Harry Truman Library, Independence; Logue, *History of the US Foreign Aid Since the WWII*, report submitted to Federal Reserve Board, 24 April 1961. Huntington Papers, Harry Truman Library, Independence; see also Young Hum Kim, *Technical Assistance Program of the U.N. and U.S: Comparative Study*, (California: University of California, 1960).

⁴²Cheryl Payer, *The Debt Trap: The IMF and the Third World*, (New York: Monthly Review Press, 1974), p.22.

payments problems and long-term international investment as well as relief and reconstruction. In addition to these, necessity of adopting an international agreement on primary commodity price control as well as international measures for the reduction of trade barriers and maintenance of full employment was pointed out. These were the main policy lines consistent with the policies recommended by the IMF and the World Bank. Policies based on these policy lines were assumed to solve the problems of the country or countries that pursued a capitalist development policy.⁴³

In defining the importance of the IMF for the capitalist economic system, Payer pointed out the authority that was delegated to it by the governments and capital markets of the entire capitalist world. In the process parallel to the changes in the foreign aid policy, its importance in the system increased. IMF became a member of all aid consortiums in charge of decision-making in deciding, whether the country in question was credit worthy and whether other countries which could extend aid should give aid or not. By this role the IMF became a super credit agency.⁴⁴

In the scope of this new setting, IMF began to be an increasingly known name for the Third World countries. Its structural adjustment programs famed the IMF. The standard prescriptions known as ‘the Washington consensus’ was a combination of devaluation with deflationary monetary and fiscal policies. This mechanical approach of these two fundamental means of the capitalist economic system was perceived as “iron and arsenic” to all, whatever the problem was. In IMF policy, rigorous credit control was regarded as an essential first step for curbing deficits in government budgets and in balances of payments. Consequently, in these sorts of ‘intervention’ the IMF’s immediate concern was to curtail the deficits by

⁴³Ibid., p.32-3.

⁴⁴Ibid., p.x, 31.

imposing limits on domestic credit and money creation. IMF preferred to award the countries which pursued the IMF prescription seriously by extending new credits and if necessary rescheduling the previous ones.⁴⁵

As a general rule for the medium and long run periods following the stabilization, the IMF and the World Bank promoted structural adjustment. This adjustment was designed to integrate local financial markets with international ones and to alleviate the need for direct controls on credit, interest and foreign exchange rates. Another common feature of the IMF stabilization programs was their support of foreign investment and foreign aid to the particular country. The undesired but inevitable outcome of the latter was aggravating foreign indebtedness. As a reflection of the vicious circle of the developing countries with respect to the developed ones, the loans that benefit the balance of payments at the moment meant a rise of burden in the balance of payments in future. Only grants that were a very small part of the total foreign aid were completely free of repayment obligations. As an unchanging rule, the aid that was extended to the developing countries was conditioned to liberalization of foreign trade system.⁴⁶

Based on these pillars and instruments, the foreign aid policy of the center countries was justified on various grounds. Top among them was the development concept that promoted an appropriate environment for the center countries' interference with the LDCs. Shaped by a rough "manifest destiny" idea, ideologues of these concepts propagated that only through pursuing the model of advanced countries the less developed countries could progress.

⁴⁵Clement M. Henry, *The Mediterranean Debt Crescent: Money and Power in Algeria, Egypt, Morocco, Tunisia and Turkey*, (Florida: University Press of Florida, 1996), p.38-9; Payer, *The Debt Trap: The IMF and the Third World*, p.20.

⁴⁶Payer, *The Debt Trap: The IMF and the Third World*, p.39.

According to this, what led the center countries to share their experience and financial resources with the less developed countries were their humanitarian considerations.

Though humanitarian considerations had their share to a point, claiming that earmarking of such huge amounts of foreign aid only due to the humanitarian considerations is oversimplification of the facts. In addition to humanitarian considerations, various motives such as ideological, economic, military and strategic were at force beneath the foreign aid policy.

In explaining the first pillar of the foreign aid policy in the Congress, Truman declared an “ideological crusade”. He defined the Truman Doctrine as an ideological shield “behind which the US progressed to rebuild the western political- economic system and counter Communism.” The ideological crusade was defined as being between totalitarianism and free world. It was not in certain geography, but in a global arena. In this context, the Western Bloc, under the leadership of the US, stood as a guardian of the free world. It would support “free people” who were resisting any attempted “subjugation”, whether by armed minorities or by outside pressure.⁴⁷

As this definition was meaningful in the Cold War context, this ideological motive began to be defined in a smoother manner as the long-range political objective of the aid programs in the process. Donors preferred to define the ideological motive as the promotion of a type of economic and political development in the aid recipient country harmonious with the long-range interests of the donors. While the harmonious structure in the economic field was constituted of institutions and establishments which relied on heavily private ownership and

⁴⁷Logue, *History of the US Foreign Aid Since the WWII*, report submitted to Federal Reserve Board, 24 April 1961; see also Melvyn Leffler, “Truman Doctrine and Carter Doctrine” in *Diplomatic History*, 4:7, (1983).

private initiative, democratic institutions were defined as the harmonious structure in the political field.⁴⁸

Economic dimension of the foreign aid policy was fundamental in its justification. In the debates of the ERP, importance of the program was explained with respect to its role to revive a multilateral world trade. As trade was a “two-way” street, the program aimed to reconstruct such an economic order. The expected outcome was increased production and productivity and unrestricted flow of goods.⁴⁹ As the Western European countries had the potential to realize this order, the priority in the post-WW2 era was given to them.

The relatively implicit economic considerations of the USA in foreign aid policy were left in the PL 480 program. It was explicitly equated with the welfare of the American farmers in particular and American public in general. Directly related to the American economy, the PL 480 was introduced in the 1950s. It was about the usage of US surplus agricultural commodities in the foreign aid practice. By its enactment in 1954, a policy suggestion of 1951 regarding the obligatory use of some portion of the aid allocations to acquire surplus agricultural products of the US was systematized.⁵⁰

PL 480 was one example out of many that reveals foreign aid policy’s economic implications on the USA. In addition to this, through bilateral agreements the USA redistribute dollars that enabled other countries to buy American goods.⁵¹ By creating the condition of the carriage of foreign aid items by American ships, and of obligatory purchase of the US machinery and all

⁴⁸Baran Tuncer, “External Financing of the Turkish Economy and Its Foreign Policy Implications” in *Turkey’s Foreign Policy in Transition, 1950-74*, ed., Kemal Karpat, (Leiden: E.J.Brill, 1975), p.208.

⁴⁹Address by James Cleary, 16 July 1948. RG 286 Papers of the AID- ECA, Office of the Administrator Speeches, NARA, Maryland, Washington D.C.

⁵⁰Ibid.

⁵¹Payer, *The Debt Trap: The IMF and the Third World*, p.27.

sorts of equipment, even if they were more expensive than other countries' goods, the US administration fostered its economy. This was why the aid receipts regarded center countries' foreign aid as low-interest export credits.⁵²

Though some authors challenged the assumption that the developed countries extended aid to less developed countries to promote their trade by referring to the unsatisfactory and low amount of trade between these countries⁵³, this argument is not very convincing. The unsatisfactory trade level invalidated one of the basic assumptions regarding the outcomes of foreign aid policy, namely aid recipient's increased economic viability through increased productivity that led to surplus production and promotion of foreign trade. Low performance of the aid recipient countries regarding surplus exportable goods, however, did not change the motive beneath it.

Strategic considerations of the donors had various connotations including preserving of their rank in the world hierarchy. However, for the US administration particularly during the intense Cold War years, strategic considerations were mostly related to supply and stockpile of strategic materials which were crucial for the defense and economy of the USA. Regardless of the trade potential of the aid recipient country, abundance of strategic materials was an important determinant for its inclusion to the foreign aid schemes. According to the interdependence theory⁵⁴ that the American policy makers defined the LDCs were highly dependent to the center countries. As most of the LDCs were not self-sufficient in food, their fundamental dependence was in food. Besides as an inevitable outcome of the international division of labor, economies of the LDCs mostly depended on the imported machinery, spare

⁵²*Journal of TBMM Records*, Term II, Volume 16, Meeting 1, 14 April 1967; Payer, *The Debt Trap: The IMF and the Third World*, p.27.

⁵³Tuncer, "External Financing of the Turkish Economy and Its Foreign Policy Implications", p.207.

⁵⁴*Partners in Progress*, Report to the President by the International Development Advisory Board, March 1951, Student Research File (B File), The Point 4 Program, Harry Truman Library, Independence.

parts and other equipment. The center countries provided seventy-one percent of the imports of LDCs by early 1950s.⁵⁵

This comprised one dimension of interdependency between the center and LDCs. Other dimension was the dependency of the center on these underdeveloped ones with respect to strategic raw materials. In various documents, principal objectives of the foreign aid policy agencies in the 'friendly countries' were defined as helping the alleviation of shortages of strategic materials essential for efficient production and technological development in the US and other areas of the free world and provision of a base for future rapid expansion of alternate sources in event of another war and assistance to the stimulation of the private sector abroad.⁵⁶

Dependence of the USA on the LDCs was explained in terms of the great gap between its area, natural resources potential and its immense industrial output. Though the US roughly possessed six percent of the world's population and seven percent of its area, it accounted for roughly half of the whole world's industrial output. In terms of natural resources, which the USA necessitated for this industrial production, a high dependency on LDCs was observed. In a diagram of the report on materials, US' dependence was shown in percentage terms. According to this, by 1953, US imported 40 % of copper, 51 % of zinc, 62 % of lead, 85 % of mercury, 92 % of cobalt, 96 % of manganese, 99 % of chromite and nickel, 100 % of natural rubber, tin, industrial diamonds, graphite and sisal.⁵⁷

⁵⁵Ibid.; *Materials Development and Allied Programs*, FOA Monthly Operations Report, August 31, 1953, Huntington Papers, Harry Truman Library, Independence.

⁵⁶*Materials Development and Allied Programs*, FOA Monthly Operations Report, 31 August 1953.

⁵⁷Ibid.; *Partners in Progress*, Report to the President by the International Development Advisory Board, March 1951;.

Evaluating the reserve level of some of the most critical and strategic materials that had been stockpiling against the risk of war, the International Development Advisory Board concluded their inadequacy and recommended the acceleration of their stockpiling. In this acceleration the criterion was again defined as the stability in the LDCs from where most of the materials were flowing. It was stressed that any subversion or economic or social collapse would be the equivalent of a grave military set back.⁵⁸

The Board also evaluated the impact of the expansion of the Iron Curtain countries that made the supply of strategic materials highly costly. Moving from this diagnosis the Board made several recommendations including containment of the socialist bloc, and determination of locations in the “free world” bloc from where important resources could be obtained instead of the Soviet-dominated places. According to this, manganese and tungsten deposits of Latin America, Africa and Asia, chrome ores of Turkey and the Philippines, timber stands of Chile and Brazil, pulpwoods of Lebrador were the places where these sources could be obtained more easily. From this analysis, the International Development Advisory Board concluded that interdependence theory was more of a “need and need alike” one. Neither the USA nor the LDCs could run their economies without the greatest distortions and hardships if the relation with each other was cut off.⁵⁹

A provision of the ERP reveals that in this interdependence, the US inevitably gave priority to its national interests. In addition to the propagated dimension of the ERP, which was restructuring of the multilateral world trade, the other dimension was related to the national strategic considerations of the USA. As a result of the proposal by the Department of State, provisions were put into enabling the legislation of the European Recovery Act for the

⁵⁸*Partners in Progress*, Report to the President by the International Development Advisory Board, March 1951.

⁵⁹*Ibid*; see also J.H. Carmical, ‘Near East Holds Oil Scales’, *New York Times*, May 1951

promotion of the production of materials in the territories, colonies and dependencies of the participating countries, which were required by the USA as a result of deficiencies or potential deficiencies in its natural resources.⁶⁰

In addition to these, military considerations represented another important motive in the US foreign aid policy. In the Cold War context, this was so crucial that it led to the periodization of the foreign aid policy as pre- and pro- Korean War. By this War, the US policymakers reassessed the US foreign aid policy. This reassessment led to a considerable decline in the non-military aid to foreign countries. It was explained as military containment of communism. After the outbreak of the Korean War, the US administrations decided to accelerate the rebuilding of its defense and increased the number of alliances and overseas bases. In the process, through bilateral agreements, the USA increasingly conditioned provision of military bases for assistance.⁶¹

The above mentioned were the motives that shaped the USA's foreign aid policy. They were distinguished by being under the control of the US policy makers to a great extent. Parallel to these controllable factors, there were, on the other hand, some uncontrollable factors that also shaped the foreign aid policy. These uncontrollable factors shed light on the evolutionary stages of the foreign aid policy. Though each donor shared these motives, in the scope of this research the US foreign aid policy will be analyzed due to its being the main source of foreign

⁶⁰Confidential Circular Airgram from Department of State to Certain American Diplomatic and Consular Offices, 22 December 1947. RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Confidential Files, NARA, Maryland, Washington D.C.

⁶¹Anderson, "Needed: Active American Leadership Abroad", 7 March 1957, Paul Hoffman Papers, Subject Files, NARA, Maryland, Washington D.C; Confidential Position Paper Entitled as "Foreign Aid and the US Balance of Payments", 29 May 1951, Papers of William S. Sallant, Harry Truman Library, Independence; Keith Jay and Constantine Michalopoulos, "Interaction between Donors and Recipients" in *Aid and Development*, eds., Anne Krueger, Constantine Michalopoulos, Vernon W Ruttan, (Baltimore and London: The John Hopkins University Press, 1989), p.93; Tuncer, "External Financing of the Turkish Economy and Its Foreign Policy Implications", p.208-9.

aid for about twelve years following the end of WW2, as well as, late participation of other center countries to this policy level owing to their recovery from war destruction.

Analysis of the foreign aid policy of the USA reveals the strong correlation between developments in world conjuncture and changes in priorities and type of foreign aid policy. While changes in geography and priorities were determined by the increased or decreased tension in the Cold War context, type of foreign aid was determined by the recovery of the war-stricken European countries which created a competitive environment.

Main determinant of the geographical flow of the aid was related to the shifting tensions of the Cold War. In the immediate post-WW2 era, Europe was considered as the most strategic area in the global arena of the Cold War. Soon afterwards the gravity shifted to the countries neighboring the USSR. In the 1950s, newly independent countries of Asia which gained independence from colonial rule also became the focal point by the rationale that they were under the threat of radical ideologies and abject poverty. In the 1960s, the geographic center became Latin America and Africa. As revealed by these shifts, economic aid programs shifted geographically over the globe throughout the last twenty-five years in accordance with the relative political importance attached by the superpowers to various regions and specific countries. This mobility in the gravity shed light to the political motives and orientation of the foreign aid.⁶²

Accurate analysis of shifting priorities in the US foreign aid policy necessitated a periodization of pre- and post-Korean War. This War indicated an increasing militarization of the foreign aid policy in the process. After its outbreak, the US administration accelerated the

⁶²Tuncer, "External Financing of the Turkish Economy and Its Foreign Policy Implications", p.207-8.

rebuilding of its defense and increased the number of alliances as well as overseas bases. This decision had direct consequences on the restoration of the defensive strength of the free world. Following this, almost ninety percent of American foreign aid went for armaments and other army support.⁶³

Concrete impact of this new orientation on aid recipient countries was an increase in the number of US military bases. Through bilateral agreements the USA increasingly conditioned aid to military bases. In many cases the donor countries set the maintenance of these military bases as the precondition for the continuity of foreign aid.⁶⁴ This decision not only affected aid recipient countries but the non-aligned countries also. After this, the US administration adopted a harsher policy line against the non-aligned countries. Assistance to the non-aligned countries was criticized since some leading recipients of American aid were consistent opponents of US positions within the United Nations. Their opposition was revealed in every possible occurrence such as disarmament conferences or public statements. A good example of this restriction was the Indian case. Due to her opposition to the USA in the UN ballots, aid to India was jeopardized in various years.⁶⁵

As observed in the Turkish and Greek cases, before the Korean War there were separate military aid programs. Following the Korean War, coordination and modification of the existing foreign assistance programs in support of defense effort became essential. The principal objective of the foreign aid policy was defined as resistance to communist military aggression. Outcome of this modification was the Mutual Security Act, which had a military

⁶³Anderson, "Needed: Active American Leadership Abroad", 7 March 1957, Paul Hoffman Papers, Subject Files, NARA, Maryland, Washington D.C; Confidential Position Paper entitled as "Foreign Aid and the US Balance of Payments", 29 May 1951. Papers of William S. Sallant, Harry Truman Library, Independence.

⁶⁴Tuncer, "External Financing of the Turkish Economy and Its Foreign Policy Implications", p.208-9

⁶⁵Kuebler, *Foreign Aid Overhaul*, Editorial Research Report, Vol II, No. 23, 19 December 1962, Huntington Papers, Harry Truman Library, Independence.

and anti-Communist orientation. The rationale behind this Act was that military weakness rather than political, economic and moral weakness was the primary source of instability. The shift in priorities of the foreign aid policy was immediately reflected in the allocation of the Mutual Security Act of 1951. Out of total \$ 8.5 billion aid authorized for the foreign countries for the FY 1951-52, while \$ 7 billion was allocated for military aid, only \$ 1.5 billion was earmarked for economic aid and technical assistance.⁶⁶

Consistent with this reorientation, by an amendment, Mutual Security Act of 1951 put military, economic and technical aid under one legislative authorization. Economic Cooperation Administration's functions were transferred to the newly established Mutual Security Agency. By this arrangement, coordination of various aid programs was under the responsibility of the Director of Mutual Security who also administered the economic aid.⁶⁷

For the reassessment of the change in the foreign aid policy, a bipartisan Commission on foreign economic policy was appointed under the presidency of Clarence B. Randall. It was appointed to study all aspects of American foreign economic policy, including foreign aid. Examining the developments in the international order the Commission concluded that there was no need for further grants of economic aid. The quotation below clearly reflects what this Commission thought about the economic aid to the LDCs:

At present, as the need for economic aid for postwar recovery disappears, demands are increasing for general economic aid unconnected with recovery from war or preparation for defense. Underdeveloped areas are claiming a right to economic aid from the US, in

⁶⁶Ibid.; Restricted Security Information about MSA Activities from Donald Stone to C. Tyler Wood on 18 February 1952, Papers of George Elsey, Harry Truman Library, Independence; Logue, *History of the US Foreign Aid Since the WWII*, report submitted to Federal Reserve Board, 24 April 1961.

⁶⁷Logue, *History of the US Foreign Aid Since the WWII*, report Submitted to Federal Reserve Board, 24 April 1961.

proposals in the United Nations and the Inter-parliamentary Union. We recognize no such right.⁶⁸

The exceptional item in the economic aid was the so-called defense support. This term indicated aid directly related to military efforts which were designed to reinforce the security of the USA. This item was the byproduct of a predominant view in 1951 that pointed out the necessity of additional flow of foreign exchange to support LDCs' heavy defense burden. In the defense support high priority was given to countries that gave important military base rights to the USA. Defense support was carried in the program as economic aid. However, in reality it was a sort of compensation for military alliance. In the terminology of Hans J. Morgenthau, a famous political science professor, this was "bribery". By time, this support decreased mainly due to the increasing criticism in the Congress. However, the US administration continued to make this assistance in a camouflaged manner under other aid categories.⁶⁹

While the Commission recommended an expansion of the technical assistance program, especially that of the UN, in this expansion it suggested that the relative size of the US contribution to the UN for that purpose be reduced. More than state contribution, the Commission put considerable emphasis on increasing the flow of private US investment abroad. As the prerequisite of an appropriate environment for private initiative, adoption of certain tax incentives to foreign investment and a program of guarantees against expropriation, inconvertibility and risks of war or revolution were defined.⁷⁰

⁶⁸Ibid.

⁶⁹Ibid; Kuebler, *Foreign Aid Overhaul*, Editorial Research Report, 19 December 1962, Volume II, No. 23, p. 917-8.

⁷⁰Kuebler, *Foreign Aid Overhaul*, Editorial Research Report, 19 December 1962, Volume II, No. 23, p. 917-8.

Obsessed by national security and reinforcement of defense bastions, the US administration enacted not only Mutual Security Act but also the Mutual Defense Assistance Control Act, which was also known as the Battle Act. This Act was accepted as the most important pillar of the economic defense of the free world. It forbade the exportation of strategic materials to the Iron Curtain countries. List of these materials was determined by the Department of Defense and Department of State and was sent to all the diplomatic American posts.⁷¹

Following this, by the approval of the Kem Amendment in June 1951, as the superpower of the free world, the USA left no option for any leakage at least in legislation in which shipment of the strategic materials to the USSR and countries of Iron Curtain was announced as a reason which called for the mandatory cessation of US aid. Only when the American President regarded the particular shipment of strategic materials as an obligation of unusual circumstances did aid continue.⁷² Though this was revised in the following years, in content it did not change to a great extent.

The next stage in the foreign aid policy of the USA commenced by the change in the Soviet strategy. When the Soviet administration abandoned the idea of frontal communist military attack and put high priority on development of economic relations with the LDCs in the late 1950s,⁷³ this led to several gradual changes in American foreign aid policy. First of all, technical aid gained priority. In explaining this prioritization US President stated that “our

⁷¹Secret Aide-Memoire to the Department of State from American Embassy in Ankara on 7 February 195, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Confidential Files; Secret Memo Regarding Kem Amendment from T.G. Hadaraba to Russell Dorr on 14 June 1951, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records, 1950-52; Secret Instruction regarding Export Controls over Atomic Energy Items from the Department of State to All American Diplomatic Posts on 31 December 1953. RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Confidential Files, 1949.

⁷² Ibid.

⁷³Anderson, “Needed: Active American Leadership Abroad”, 7 March 1957.

skills, our knowledge, and at times our substance” had to be used in aiding to the underdeveloped areas.⁷⁴

Besides, the idea of development aid began to get more credit and support which it never obtained in previous years when defense support was in its heyday. Larger appropriations for development assistance and technical cooperation were the outcomes of this re-emphasizing. This emphasis on development aid concurrently brought underdeveloped areas to the agenda. Referring to their great potential due to their constituting two-thirds of the world population as well as rising expectations regarding improvement in their lots, the US administration justified any economic aid on the grounds that “the substantial expenditures made by our Government in recent years for economic assistance are justified on grounds both of *enlightened self-interest* and of our moral responsibility to ourselves to do what we can to help other peoples realize their legitimate aspirations [emphasis is added].”⁷⁵

The above-mentioned shifts occurred due to the changing tensions in the Cold War context. Another evolutionary stage in the foreign aid policy was observed in the nature of foreign aid. The evolution was due to the empowered position of other center countries. This indicated a challenge to the dominant position of the US as the main foreign aid supplier. In the initial years, the US foreign aid was ‘untied’. This meant that there was no requirement that aid allocation be spent on US goods. Main reason of this untiedness was the high demand for the US products, which made these goods purchasable anyway. During these years while European countries received most of the balance of payments support, aid to poor countries was conditioned for concrete projects.⁷⁶

⁷⁴ Eisenhower’s Second Inaugural Message

⁷⁵Kuebler, *Foreign Aid Overhaul*, Editorial Research Report, 19 December 1962, Vol II, No.23, p.927; Logue, *History of the US Foreign Aid Since the WWII*, report submitted to Federal Reserve Board, April 24, 1961.

⁷⁶Payer, *The Debt Trap: The IMF and the Third World*, p.27-8.

In the face of increasing competition, however, donors developed a new style of aid. This indicated a shift from untied to tied aid, from 'project' to 'program' aid and development of consortium technique. The tied aid practice best served to American economic interests. By this practice, the amount of aid allocation spent for American goods increased. While in the fiscal year 1960, only 41 % of American aid was spent on American goods, by the implementation of tied-aid this proportion rose to 79 % in 1963 and 94 % in early 1965.⁷⁷

As the other component in the foreign aid policy, donors shifted from 'project' to 'program' aid on the grounds that the aid recipient countries wasted the allocated resources. In the project aid, the donor had too little influence over the economic policies of the recipient country. Besides, the donor could not much interfere with the spending of the aid allocation as the recipient country spent the allocation to its budget items. In most cases the spent preference of the recipient countries were not regarded as very rational by the donor. In contrast to this, in program aid the donor had control over the entire economic program of the recipient. Despite this advantageous position that the latter provided to the donor, not all the aid was in the form of program aid. Project aid still continued to exist.⁷⁸

Concluding Remarks

In conclusion, the foreign aid policy with its shifting priorities but lasting motives continued to exist. Inevitably there existed pro- and cons of foreign aid in donor and recipient countries. The cons had great suspicion and deep-rooted fear of colonialism and imperialism, while pros emphasized the necessity of such as an impetus. Though each tried to explain the foreign aid

⁷⁷Ibid.

⁷⁸Ibid, p.30.

policy from its own perspective, there were some common grounds regarding the functioning of foreign aid. It was undeniable that through foreign aid the superpower of the capitalist “free world” bloc attempted to shape the course of events mainly from its center considerations. It could be concluded that mainly relying on foreign aid as well as other mechanisms that it developed, the USA had an influential and powerful stance vis-à-vis the aid recipient countries.

Despite its powerful stance, however, shaped by the inner dynamics of the recipient countries the donor had limitations in its influence. The complex relation networks among the dominant groups, in other words the ruling elite coalition, posed the greatest challenge to this influence. The interplay of these external and inner dynamics, on the other hand, was crucial as it paved the way for the crisis in the political economy of LDCs. The concern of the study is this interplay with reference to the unsatisfying, in most cases failing, outcomes of the development plans of Turkey and India, which were mainly financed by the US-led foreign aid or credits of the IMF and the World Bank. Their experience was crucial as they also challenged the fundamental premises of the foreign aid policy regarding the proportion of flow of foreign aid to capital scarce LDCs and attainment of a certain development level.

CHAPTER II

DEVELOPMENT POLICIES OF TURKEY AND INDIA IN THE POST-WW2 ERA: 1947-73

DEVELOPMENT STRATEGIES OF TURKEY IN THE POST-WW2 ERA (1947-73)

An Introductory Glance at Turkey in the Post-WW2 Era

In the post-WW2 era, the Cold War became the most important determinant for Turkey as a country which had a border with the superpower of the socialist bloc, the USSR with whom Turkey had centuries-long conflicts. This was a factor that deeply affected Turkish public opinion. Facing land demands of the Soviet administration challenging her national integrity, Turkey participated in the “free world” bloc, hence strengthening its ties with the Western world. This was, at least in appearance, attainment of one of the basic objectives of the Turkish modernization policy.

Turkey participated in the “free world” bloc mainly via the foreign aid policy of the USA. Turkish policymakers did not hide their enthusiasm for the mechanism that the superpower created for the new world order. They began to propagate that the foreign aid was a necessity to attain economic development. When the US Congress approved the first aid package for Turkey, this received enthusiastic reactions from the Turkish policy makers. President Ismet Inonu regarded this approval as a new proof of the USA’s exceptional endeavors for the

creation of enduring peace. By defining GNA's approval of this aid decision as the gratitude of the Turkish public in November 1947, he implied a consensus on the issue.⁷⁹

Due to the shared belief regarding the possibility of acceleration of Turkish industrialization-led development drive via foreign aid allocations, Turkish policymakers enthusiastically welcomed Turkey's inclusion into foreign aid policy. This willingness of Turkey to accept foreign financial resources was novelty in the Turkish context in comparison to the initial years of the Republic. Previously Turkish officials were skeptical about any foreign assistance due to deep-rooted memories of the Capitulations, the concessions granted to the foreign powers during the Ottoman era that turned out to be the main hindrance to economic independence and the most efficient means of foreign exploitation. The difficulty of the settlement of old debts during the Laussane negotiations in 1923-24⁸⁰, remained fresh in their minds. However, these were not the issues in the post-WW2 era. Also influenced from the conjuncture, Turkish policymakers concluded in an optimistic manner that as a result of huge amounts of foreign aid the country could attain 'self-sufficiency' in a short span of time. In contrast to the initial objective of 1952 as the year for attainment of self-sufficiency, in the process, this date was determined as 1973 by which Turkey would no longer require additional foreign aid for her economic development.

However, even though she received substantial aid allocations from the donors, in contrast to the expectations of economic viability by 1973, Turkey fell into the debt trap. In that respect, Turkish experiment was an example of many aid recipient countries which suffered from aggravating debt burden. Despite the provision of capital from external resources, like many

⁷⁹Second Saka Government Program, 18 June 1948; Inaugural Address of President İsmet İnönü, *Journal of TBMM Records*, Term VIII, Volume 7, Meeting 2, 1 November 1947, p. 4.

⁸⁰Merih Celasun, *Sources of Industrial Growth and Structural Change*, (Washington: World Bank, 1983).

other aid recipient countries, at the end of the process Turkish economy was still in need of foreign aid from the center countries. This outcome invalidated the main assumption of the foreign aid policy regarding LDCs attainment of economic development when required capital for the take-off was provided from the advanced countries.

The question what led to this outcome necessitates the examination of development policies as well as inner and external dynamics that affected the process at varying degrees. In the following pages Turkey's development policies and their outcomes are examined.

I. Development Strategies of Turkey in the Post-WW2 Era

Turkey rescued herself from the physical destruction of the War, yet the prevailing conditions dissatisfied the public in general. Obligation of keeping the army mobilized led to a considerable decline in the size of cultivated land and production level since it meant withdrawal of a large amount of man and animal power from economic activities. The impact of this decline was felt more seriously in the urban areas. The overburdened transportation vehicles failed to make the required connection between production units and consumption centers. On the other hand, impact of the general disruption of the world economy following the WW2 was also felt in Turkey. As the country could not import the required goods for industrial production her limited industrial production ceased to a great extent. This in turn hit large segments of the population, both rural and urban. In the midst of scarcity of even the basic necessities, the living cost increased tremendously and aggravated widespread poverty⁸¹ that made life unbearable for the majority.

⁸¹Confidential "An Evaluation of the Development of Democratic Processes in Turkey since 1945", Department of the State, Division of Research for Near East and Africa, 20 June 1949, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50; *Journal of TBMM Records*, Term VIII, Meeting I, Volume 3, 19 December 1946, Budget of National Defense Ministry, p. 308; Bent Hansen, *The*

Along with other things, these prevailing factors increased the estrangement of the mass from the rulers of the country. Observing the enrichment of the tradesmen and big landowners the mass concluded that country's rulers supported these segments and promoted an appropriate environment for their own enrichment at the expense of the mass. This was, however, totally an adverse interpretation of the nature of relations between the rulers and these enriching segments, at least for the immediate post-WW2 era. Owing to the top down approach of the rulers that created an unbridgeable gap between the rulers and the mass, criticisms of the rulers against the enriching segments due to their profiteering of the wartime conditions for their own benefit were not convincing for the mass. These enriching segments, on the other hand, confident due to their wartime capital accumulation, were in search of an alternative platform against the restrictive Republican People's Party (RPP) that attempted to challenge their interests through various arrangements. The outcome was the establishment of the Democrat Party (DP), which was established in 1946 ascended to power in 1950.

Claiming that Turkey needed a managed economic policy⁸², discourse of the new party relied on private capital in whose activities public interest would be the main concern. In this system, the state acted as the regulator of the economy without challenging the interests of private enterprises.⁸³ DP claimed to be a party that stood for liberal values. However, DP's liberalism was not a genuine one; instead, it stood as the liberal version of the RPP in the Turkish context. Without leaving etatism principle, the DP claimed that its etatism version differed from the RPP's with respect to the latter's arbitrariness in policies and initiatives. Comparison of the RPP and DP with respect to their implementations indicated similarity as

Political Economy of Poverty, Equity and Growth: Egypt and Turkey, (Washington DC: Oxford University Press, 1991), p.336; Hüseyin Şahin, *Türkiye Ekonomisi*, (Bursa: Ezgi Kitabevi Yayınları, 2000), p.92.

⁸²Celal Bayar's Address on Turkish Economic System, *Vatan*, 25 January 1948.

⁸³Celal Bayar's Address, *Tasvir*, 26 April 1946.

well as continuity in policy line including sectoral development strategies and foreign trade regime.⁸⁴

Emergence of the DP, on the other hand, coincided with the RPP's claim for change and adjustment to the new conditions.⁸⁵ This questioning of the party led to a redefinition of etatism. Main premises of the "new etatism" was constraint of state intervention in possible fields, increase in public support for private capital, more flexibility towards foreign capital and administrative reform of state enterprises.⁸⁶

An important dynamic that was in force in shaping the national policies was the superpower of the "free world" bloc as the only donor in the immediate aftermath of the WW2. Impact of the USA was apparent in the shift of the locomotive sector of economy. Parallel to its inclusion to the "free world" bloc, Turkey reoriented its development policy. Regardless of the ruling party, in this shift, Turkish policymakers failed to take the initiative since the foreign aid and Turkey's participation in the European Recovery Program was conditioned to it.

In Turkey's case this shift represented a retreat from one of the basic premises of nation building. In the 1930s, despite all recommendations from the center countries, Turkey did not change the industrialization-led development strategy. While interpreting the recommendations of the center countries as a strategy that served Turkey's lasting

⁸⁴Şükrü Esirci, *Menderes Diyor Ki*, (İstanbul: Demokrasi Yayınları, 1967), p.21.

⁸⁵ PM Recep Peker's Government Program.

⁸⁶Confidential Memo from Russell Dorr, Chief of Mission to Edward Dickinson Jr., Program Coordination Division ECA and Carter de Paul, Chief, Greek, Turkey Desk, ECA, 6 May 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

dependency on advanced countries⁸⁷, the Founding Fathers of Turkey shared the belief that only through industrialization LDCs had the opportunity to attain real economic independence, minimize their dependency on advanced countries as well as assuring their full political independence. The development strategy of the era until post-WW2 was shaped according to this highly accepted view.

Until facing the condition of agriculture-led development strategy for foreign aid, Turkish policymakers preserved their over-optimism regarding the foreign aid. In their welcoming and propagation for foreign aid the policymakers stated that by the expected financial aid from the USA, Turkey would strengthen its industrial basis and attain its industrial development. They hoped that these aid allocations would be used for the acceleration of the industrialization attempts.⁸⁸

In contrast to this, the US administration urged for an urgent adoption of agriculture-led development strategy. In the framework of the ERP the Western Bloc defined the role of Turkey as cereal, especially wheat provider of the West European countries that faced basic foodstuff shortage in the post-WW2 era. Relying on the comparative advantage principle, the center countries regarded Turkey as the potential 'breadbasket' of West European countries. Among the ERP participants Turkey was the logical choice as it was the only country where land resources and climatic conditions offered the possibility of significant increases in agricultural production.⁸⁹ Defining Turkey's pre-war development endeavors as "unfortunate"

⁸⁷Press Meeting on January 8, 1934.

⁸⁸Information Note from American Ambassador to Secretary of the State, 16 March 1947, RG 59, Department of State, Decimal File, 1945-49.

⁸⁹Report of American Postwar Economic Assistance Programs to Turkey, 27 February 1950, RG 59, General Records of the Department of State, Records of Greek, Turkish and Iranian Affairs, NARA; Memo of the Meeting between Minister of Agriculture Cavid Oral and Russell Dorr, 29 November 1949, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Technical Assistance Division, Records

resulting in ill-balanced economy since agriculture was ‘neglected’ the center countries regarded Turkey’s reorientation of her development strategy as the correction of a mistake.⁹⁰

Responsiveness of Turkey to this condition was immediate. In justifying the shift, Turkish policymakers not only referred to the take-off stage of the US development through agricultural boom but also pointed out the inappropriateness and artificiality of the industrialization where majority of the population involved in agriculture. Regarding industrial structure, Turkish policymakers, parallel to the Western experts, defined supplementary industrial enterprises as the best strategy for Turkey. Shaped by these considerations, Turkish policymakers pointed out that, in contrast to the past when allocations for agriculture was low, by the adopted development strategy highest priority was given to agriculture, “as all roads led to Rome.” Ultimate objective of the strategy was to make the peasants, who comprised majority of Turkish population, consumers.⁹¹ Despite the existence of some “dissenters”⁹², this was the opinion of the majority.

Relating to Technical Assistance Projects, 1948-53, Programs: Turkey, OEEC, April 1950, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

⁹⁰*Economic and Commercial Conditions in Turkey* (Muntz Report), British Embassy, Ankara, 1950; RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files (Central Files) 1948-56; *Barker Mission to Turkey: Member Report No.9 on Turkish Agriculture* by L.E. Kirk and William H. Nicholas, 15 October 1950, Confidential Barker Report, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

⁹¹*Journal of TBMM Records*, Term VIII, Meeting 3, Volume 16, 21 February 1949, p. 342; *Journal of TBMM Records*, Term VIII, Meeting 4, Volume 24, 23 February 1950, p.1111-1112; Secret Memo of Conversation between McGhee and President Bayar, 15 May 1952 from Ambassador McGhee to Department of State, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52; Second Saka Government Program, 18 June 1948; Memo of the Meeting between Fevzi Lütüf Karaosmanoglu and Russell Dorr, 4 August 1950, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Technical Assistance Division, Records Relating to Technical Assistance Projects, 1948-53.

⁹²Memo of the Meeting between Fevzi Lütüf Karaosmanoglu and Russell Dorr, 4 August 1950, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Technical Assistance Division, Records Relating to Technical Assistance Projects, 1948-53; Memo from Russell Dorr, Chief of Special ECA Mission to Turkey to Department of State about the Conversation with State Minister Nurullah Sumer in Charge of Coordination of Foreign Credits, 22 January 1949, RG 84, Foreign Service Posts of the Department of State Turkey, Ankara Embassy, Classified General Records 1953-54.

In short, disregarding the governing party in the post-WW2 era the development strategy would be the agricultural-led one. The next concern is the implemented development policies in the era.

Development Strategy of Turkey in 1947-60 Era

a. Agricultural Development Policy of Turkey in 1947-60:

Guidelines of the agricultural development policy of the 1950s were determined by the RPP and approved by the OEEC in 1948. Submitted to the OEEC as the long-term program of Turkey, the agricultural development policy relied on agricultural mechanization along with supporting activities such as irrigation and land reclaiming programs. As the main premise of the policy, agricultural mechanization was justified by the prevailing low productivity of cultivated lands. Though exhaustion of the land was defined as an important reason, cultivation made without using modern equipment and inputs such as fertilizers and irrigation networks, appropriate seed selection and efficient anti-disease campaigns were diagnosed as fundamental factors behind the low productivity.⁹³

Following the program's approval, Turkish policymakers expressed their desire for a rapid agricultural mechanization. Regarding the USA's provision of agricultural machinery as "constructive assistance" to Turkey, they asked for more and rapid machinery importation. In this demand, the main motive was to attain the production goals set by the Turkish government and OEEC. While the goal for wheat production was 10,300,000 tons, it was set

⁹³General Memorandum of Turkey's Long Term Program by OEEC Program Secretary, 1948, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50; Eva Hirsch, *Poverty and Plenty of the Turkish Farm: A Study of Income Distribution in Turkish Agriculture*, (New York: Columbia University, Middle East Institute of Columbia), p.172; Yakup Kepenek, *Gelişimi, Üretim Yapısıyla ve Sorunlarıyla Türkiye Ekonomisi*, (Ankara: Teori), p.81; see also Resat Aktan, "Mechanization of Agriculture" in *Land Economics*, XXXIII:4 (November 1957).

as 100,000 tons for cotton fiber. Attainment of these by 1952 was defined as the success criterion of Turkey as a participating country.⁹⁴ As seen in the table, the US administration was responsive to this demand for rapid agricultural mechanization (Table I).

Table I: Numbers of Selected Farm Machinery in Turkey, 1948-60

	1948	1952	1954	1956	1958	1960
Tractors	1,756	31,415	37,743	43,727	42,527	42,136
Ploughs (T-drawn)	1,427	30,766	26,140	30,763	30,973	31,528
Disc Harrows	680	9,623	14,097	17,357	18,178	18,268
Cultivations	401	4,028	5,076	6,502	5,248	6,134
Grain Drills	162	4,406	6,872	7,839	8,169	8,343
Cotton Planters	2,570	13,909	8,437	10,530	9,359	11,147
Reapers	14,384	21,122	19,782	21,176	24,918	24,245
Combines	268	3,222	4,706	6,025	6,592	5,554
Threshers	430	959	1,219	1,375	2,180	2,536
Hay Mowers	612	1,553	3,159	3,840	3,600	3,600
Trailers	140	12,982	18,088	22,885	24,919	25,395

SOURCE: DIE, *Summary of Agricultural Statistics* (various years), Reşat Aktan, "Mechanization of Agriculture in Turkey," *Land Economics*, 33, no. 4 (November 1957), p. 276.

⁹⁴ *Agricultural Mechanization*, 23 March 1948, RG 59, Department of State, General Records of the Department of State, Subject Files Related to Turkey 1943-49.

In the framework of this program, flow of agricultural machines to the country commenced in 1949. The available tractors in the country before this flow were 3200 out of which 1200 were worn out.⁹⁵ As of March 1951 more than 6000 tractors with accompanying equipment valued at \$ 34.000.000 were imported directly from the Marshall Plan.⁹⁶ As seen in the Table, there was a continual increase in the number of these machines until the late 50s. By this date, though not tremendous, a slight decrease was observable. This could be explained by the prevailing conditions in the country. Foreign exchange shortage, difficulty of importation of required spare parts and as a result, lack of many equipment in the country could be raised as reasons those caused to this slight decline.

The imported machinery was delivered through ordinary commercial channels by taking the recommendations of the US Mission in Turkey. In order to prevent waste of resources, criteria of appropriate machinery, farmer and location were determined by the Turkish and American officials before the delivery. Raising their suspicions regarding the surveillance of these criteria, the American officials gave high priority to the Agricultural Bank, as it was the only credit resource for agricultural mechanization. Accordingly, the precondition for credit for agricultural machinery was the assurance given by the farmer that he was a competent owner.⁹⁷

⁹⁵*Confidential Barker Mission to Turkey: Member Report No.9 on Turkish Agriculture* by L.E. Kirk and William H. Nichols, 15 October 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

⁹⁶Memo About Farm Equipment Program from W.H. Pine to Hugh K. Richwine, Food and Agriculture Officer on 26 March 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

⁹⁷*Confidential Annual Food and Agricultural Report*, ECA Special Mission to Turkey (prepared by Russell Dorr, Chief of Mission, Hugh Richwine Food and Agriculture Officer, Wilfred H. Pine, Agricultural Economist, Alton G. Levenson, Farm Machinery Expert), 10 February 1951, RG 286, Records of the Agency for International Development, Special Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

Criteria of suitability for agricultural machine ownership revealed that the program focused on the big landowners, which meant exclusion of the majority of households in rural Turkey who had dwarf size holdings. In 1948, there were 2.5 million holdings (owned, or partly or wholly rented) totaling up to 13 million hectares, ranging in size from less than 1 to 100 hectares, with an average of about 5 hectares per holding. There were 5764 holdings of between 100 and 500 hectares and 418 estates of over 500 hectares. Particularly valid for the small size holdings was the fact that the farmers employed only the most primitive tools and methods.⁹⁸ This exclusion of the majority was, however, not coincidental as the program was shaped by the trickle down principle. Regarding the few as the core, the impetus for development was based on the assumption that by time the attained wealth and welfare would be trickled down to other segments of the population.

In order to promote an appropriate environment for agricultural mechanization, Turkish governments pursued a tripartite supplementary policy line including expansion of cultivated land, bank credits and price incentives. As feasibility of mechanized agriculture was dependent upon large tracts of land, the 1950s was also distinguished by an expansion of cultivated land. In the initial years of the program the area under cultivation expanded more than 50 %. Between 1950-1956 annual expansion of the cultivated land exceeded a million hectares, with the exception of 1954 (Table II). Though the rate of expansion slowed down after 1956, this remained quite high during the few successive years. In the entire decade, 9.3 million hectares of field crop area were added to the existing total, amounting to an increase of 67 %. Consistent with Turkey's commitment to OEEC, the majority of the newly opened

⁹⁸*Confidential Barker Mission to Turkey: Member Report No.9 on Turkish Agriculture* by L.E. Kirk and William H. Nichols, 15 October 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

land was diverted to wheat crop which served the purpose of increasing the wheat production.⁹⁹

Table II: Improvement in Number of Tractors and Cropland

	Cultivated Land (000, ha)	Ratio of cultivated land to total land %	Land operated by by tractors (000, ha)
1948	13848	17.8	80
1950	14542	18.7	1244
1955	20998	27.0	3021
1960	23264	29.9	3160

Source: SIS; 50 Year of Turkey's Social and Economic Development.

This expansion was in full conformity with the recommendations of the American officials and technicians. Officials in charge of the program's monitoring supported and encouraged this rapid expansion. In a confidential annual report of 1951 it was pointed out that the Mission was encouraging the government to develop new cropland, the size of which was probably between 5-10 million acre as rapidly as possible in order to attain the production goal by 1952. In explaining the importance of increase in cereal production, the Report referred to the world conjuncture giving a high priority to the Korean War that obligated such an increase.¹⁰⁰

⁹⁹Ronnie Margulies and Ergin Yıldızoğlu, "Agrarian Change, 1923-70" in *Turkey in Transition: New Perspectives*, eds., Irvin C. Schick and Ertuğrul Ahmet Tonak, (New York and Oxford: Oxford University Press, 1987), p. 282-3.

¹⁰⁰*Confidential Annual Food and Agricultural Report*, ECA Special Mission to Turkey (Russell Dorr, Chief of Mission, Hugh Richwine Food and Agriculture Officer, Wilfred H. Pine, Agricultural Economist, Alton G. Leverson, Farm Machinery Expert), 10 February 1951, RG 286, Records of the Agency for International Development, Special Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

Credit was the other pillar that completed the required scheme for widespread mechanization. Special credit programs were developed to this end. The DP, whose discontent regarding the level of available credit amounts for the rural population was explicit even in its opposition years¹⁰¹, paid special attention to the issue and in three years time the proportion of increase in agriculture credits exceeded 300 %.¹⁰² As an inevitable outcome bank credits were mainly earmarked to the commercialized farmers who were regarded as the impetus for the initiation of the trickle down effect in rural Turkey.

Price incentives as the last pillar of the tripartite policy began to be used widely in the 1950s. Covering various agricultural goods, Turkish governments served the institutionalization of commercialized farmers' interests. In the purchases, the governments in general left a positive profit margin for the producer. While enriching the commercialized farmers, however, policymakers disregarded the policy's destructive impact on the rural structure by intensifying differentiation among the upper and lower segments of rural population.¹⁰³

In sum, as a condition of Turkey's participation in the "free world" bloc through including in the US foreign aid policy, Turkey shifted the locomotive sector of its development policy from industry to agriculture. In order to attain the production goals of the country as well as development of capitalist relations in rural Turkey, Turkish policymakers adopted agricultural mechanization as the basic policy in the agricultural development strategy. Consistent with the trickle down principle, the policy excluded the majority of the rural population. Its impact on rural social structure in the form of intensification of differentiation among various

¹⁰¹ *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 30 December 1947, Budget Debates of Agriculture Ministry, p.764.

¹⁰² *Journal of TBMM Records*, Term IX, Volume 20/1, Meeting 3, 16 February 1953, p.305.

¹⁰³ Şahin, *Türkiye Ekonomisi*, p.111.

segments in rural Turkey was reinforced by various policies which were adopted by Turkish policymakers to promote an appropriate environment for agricultural mechanization.

b. Industrialization Development Policy of Turkey in 1947-60:

In the era under study, Turkish governments earmarked resources to agriculture-related industrial sectors such as textile and food processing. This indicated a structural difference from the industrialization drive of the 1930s when the aim was to establish heavy industry at whatever cost to attain a self-reliant economy. As a result of these activities, Turkey began to exploit iron, coal, chrome, copper, zinc resources; construct an iron and steel plant; establish cement, glass, paper, textile and other light industries.¹⁰⁴

Assessment of the outcomes with respect to established industries' meeting the needs indicated that the outcome was far from meeting even the basic needs of the country. According to the statistical data, Turkey provided only 35 % of the country's needs in textiles, 60 % in cement, 40 % in paper, 65 % in sugar, 12 % in machinery and 11 % in steel.¹⁰⁵ Awareness of the inadequacy led the policy makers to develop a Five Year Industrialization Plan, known widely as 1946 Industrialization Plan, aiming to attain economic development of the country through industrialization.

Prepared by the active participation of some socialist of the days such as Ismail Husrev and Sevkett Sureyya, the Industrialization Plan of 1946 envisaged modernization of the existing

¹⁰⁴Confidential Document of ECA Supporting Enabling Legislation for Second Appropriations, Presentation to the Bureau of Budget: Turkey, RG 59, Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50; *Restricted Economic Position and Prospects of Turkey* by Murray Ross (IBRD), 4 June 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files (Central Files) 1948-56; Çağlar Keyder, "The Political Economy of Turkish Democracy" in *Turkey in Transition: New Perspectives*, eds., Schick and Tonak, p.43; Kepenek, *Gelişimi, Üretim Yapısıyla ve Sorunlarıyla Türkiye Ekonomisi*, p.58, 60.

¹⁰⁵*Confidential Report on Turkey's Position in the ERP*, 29 January 1948, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50.

industrial facilities and development of new ones. The Plan recognized a leading role for the State in development and industrialization drives of the country. It envisaged a balanced development, by giving high priority to the development of industry. Its defined ultimate objective was the repetition of the main principle that Turkey pursued in pre-WW2 era which was to establish industrial facilities to reduce the imports needs of the country as much as possible by the rationale that local production had to be the means of saving the country's foreign exchange for more urgent or more vital needs.¹⁰⁶

Yet the Plan could not be implemented, as the Turkish governments were not able to find foreign resources for its implementation. In their search for a \$ 500 million the center countries refused to extend loans to Turkey on the grounds that it was a "too ambitious" plan as well as Turkey's not having enough gold reserves for its implementation. At the end of her appeal Turkey received a very modest loan, only \$ 25 million.¹⁰⁷

By its inclusion into the US foreign aid schemes, Turkey left this sort of "ambitious plans" in industrialization. Instead of heavy industrialization, Turkey limited its endeavors to modernization and expansion of existing industry by importing suitable machinery and rationalization of production methods in order to reduce cost prices. Industrial branches within the framework of long-term country program of Turkey were textile, cellulose and

¹⁰⁶Secret Turkey's Need for and Capacity to Service Further Foreign Loans by Edward B. Lawson, 23 December 1946, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56; Korkut Boratav, *Türkiye İktisat Tarihi 1908-1985*, (İstanbul: Gerçek Yayınevi, 1988), p.76-7.

¹⁰⁷Top Secret Memo from Department of State to American Embassy in Ankara, 2 October 1945, RG 59, Department of State, Miscellaneous Lot File, Office File of Harry N. Howard, UN Advisor, Bureau of Near Eastern, South Asian and African Affairs, 1940-57; Restricted Memo from Herbert J. Cummings to Edward Lawson, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Safehaven Files 1945-48; Secret Turkey's Need for and Capacity to Service Further Foreign Loans by Edward B. Lawson, 23 December 1946, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

paper, cement, chemical, meat and fish, sugar industries and iron-steel industry though with a modest allocation. Ultimate objective of the industrialization drive was defined as Turkey's self-sufficiency in these consumer goods branches.¹⁰⁸

Inheriting the industrial policy from its predecessor the governing party of the 1950s pursued these policies for the industrial drive of the country. Accepting industry as the supporter and complementary of agriculture, resources were diverted mainly to light and consumer industrial branches. In these endeavors the RPP, as the opposition party which differed from the DP governments only by its insistence on the necessity of planning, extended its full support. Disregarding suggestions of the opposition for planning, the governing party defined its achievement as a balanced development in which one sector did not endanger the development of others.¹⁰⁹

In the 1950-1958 era, approximately 21.7 % of total allocations were earmarked to industry. The Prime Minister, Adnan Menderes commenced the government's activities from his three "obsessions", namely textile, cement and sugar. In its initial stages, first the DP expanded the sugar and cement industries which were directly related with the lives of the mass. One of the important outcomes of this drive was that owing to the production unit's locality, as being sparse in Anatolia, the people greatly accepted these industrial facilities since this meant new employment opportunities for them. The halt in sugar factories, which remained as four during the RPP administration, was resolved and the number of factories reached up to

¹⁰⁸OEEC Program Secretary: General Memorandum of Turkey's Long Term Program, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50; Restricted Economic Position and Prospects of Turkey by Murray Ross (IBRD), 4 June 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files (Central Files) 1948-56.

¹⁰⁹*Journal of TBMM Records*, Term IX, Volume 20/1, Meeting 3, 16 February 1953, p. 323; *Journal of TBMM Records*, Term IX, Volume 20, Meeting 3, 18 February 1953, p. 440; Bayar's Speech in Çanakkale, *Vatan*, 12 August 1948; Esirci, *Menderes Diyor Ki*, p. 65-6.

fifteen-sixteen. Cement industry's expansion, on the other hand, accelerated the construction activities in the country. Another sector that had important improvements was textile. Concrete outcomes of these endeavors were increase in production, consumption and employment. All these had great influence on the lives of the population in general.¹¹⁰

This orientation resulted in relatively high industrial performance, without changing the agrarian structure of the economy. During the 1950-53 era the growth rate of industry was 9.2 %, yet its share in national per capita decreased from 15.2 % to 13.4 %.¹¹¹ Data belonging to the era, though differing in various resources, reflected in any case that after this initial decrease, the share of industry in national income had increased steadily in the decade. While Keyder mentions that the highest level of industry's share in national income was 16.8 % in 1958¹¹², Şahin gives this number as 16.9 % at the end of the era.¹¹³ Relatively high growth rate of industry continued until the mid-50s; then owing to the problems in economy industry's annual growth rate decreased considerably in 1954-61 era, barely reaching up to 4.3 %.¹¹⁴

In the fifth DP government's program Menderes assessed the previous seven years of industrialization drive of DP. He said that in this period, industry advanced more than four times and also claimed "there was not such a country in the world with such an advancement rate". In order to support this industrial drive the DP governments endeavored to create an

¹¹⁰Şevket Süreyya Aydemir, *İhtilalin Mantığı ve 27 Mayıs İhtilali*, (İstanbul: Remzi Kitapevi, 1985), p.243; Şahin, *Türkiye Ekonomisi*, p.106.

¹¹¹Boratav, *Türkiye İktisat Tarihi 1908-1985*, p.78.

¹¹²Keyder, "Economic Development and Crisis: 1950-80", p.293.

¹¹³Şahin, *Türkiye Ekonomisi*, p.105. Same sort of inconsistency was true for the initial decrease of industry's share in national income. In contrast to Boratav who gave 13.4 % as the industry's share in national income, Şahin gave 13.7 % for this initial decrease.

¹¹⁴Boratav, *Türkiye İktisat Tarihi 1908-1985*, p.90.

appropriate environment with an increase in bank credits allocated for industry and an expansion of transportation infrastructure and public works in the past seven years.¹¹⁵

This statement would have accuracy if the moving point were the growth rate. Yet in terms of composition of industry, it was difficult to claim that Turkey attained genuine industrialization. Expansion of the industrial production in 1950-1960 was mainly due to the expansion of consumer and intermediary goods industrial branches. At the end of 1950s, Turkey still endeavored to complement the first stage of the industrialization process. In the era, impetus of the development occurred in the sub-branches that produced intermediary goods, concentrated on the production of consumption goods without any change in the share of investment and durable goods industries.¹¹⁶

Though proud of the growth rate in industry, the DP was aware of the deficiency in the industrialization drive of the country. As early as 1953, the ruling circles of the party expressed that the best thing that could be done for the envisioned future of Turkey was the establishment of heavy industry and creation of a sound basis for foreign currency for the country by selling the products of heavy industry.¹¹⁷

Another feature of the era was the division of labor between the public and private sector, a natural occurrence that made the economy a mixed one. Despite its political discourse to encourage and promote private sector, the DP did not reject the necessity of public sector in industrialization. This was another issue that represented continuity as well as conformity

¹¹⁵Program of Fifth Menderes Government.

¹¹⁶Şahin, *Türkiye Ekonomisi*, p.106.

¹¹⁷*Journal of TBMM Records*, Term IX, Volume 20, Meeting 3, 26 February 1953, p. 1120, 1122, 1125.

between two parties. In its first program, when announcing that the DP aimed to transfer all public institutions to private sector except those related to basic industries, it, in fact, indicated the mixed structure of activities in industry. Accepting the tendency of the private sector for the most profitable branches, DP referred to the public sector's complementary role in branches which did not offer quick returns.¹¹⁸

Accordingly, in the 1950s the public sector had a pioneering role in tea, tobacco, iron-steel, paper and intermediary goods branches. The private sector, on the other hand, preferred to concentrate on cement, sugar, cotton and woolen textile. Depending on the preferred activity field in industry as well as undermining the importance of technological development, the private sector used backward technology in comparison to the public sector. Besides, despite the government's pro-capitalists stance revealed in various incentives, owing to its relatively weak financial position the private sector was highly vulnerable to economic fluctuations. Though the public sector was also affected by the economic crisis of the mid-50s, impact of the crisis was devastating for the private sector. It curtailed its investments in every branch.¹¹⁹

In conclusion, the era that commenced in the immediate aftermath of the WW2 was distinguished by the shift in the locomotive sector. In comparison to the previous era, agriculture received the highest allocations. Aiming to attain the production goals of Turkey determined in the framework of the ERP, Turkey adopted an extensive agricultural mechanization program. Parallel to this, Turkey earmarked resources for the establishment

¹¹⁸*Journal of TBMM Records*, Term IX, Volume 20, Meeting 3, 26 February 1953, p.1120, 1122, 1125; *Journal of TBMM Records*, Term IX, Volume 20/1, Meeting 3, February 1953, p. 16, 323; *Journal of TBMM Records*, Term IX, Volume 28, Meeting 4, 15 February 1954, p. 357-8.

¹¹⁹Şahin, *Türkiye Ekonomisi*, p.106; Boratav, *Türkiye İktisat Tarihi 1908-1985*, p.90.

and development of industrial sector which was mainly comprised of light industrial branches. This sectoral balancing in the economic development of the country lasted for a decade. Following this era, commencing in the early 1960s, Turkish development strategy was reoriented.

Development Strategy of Turkey in 1960-73 Era

The era of 1960-73 commenced with a cease in the democratic system of the country. On May 27, 1960 the military intervened, the government party members as well as a number of high bureaucrats were arrested and the National Union Committee (NUC) began to govern the country until the elections of 15 October 1961. Importance of this date for the development policies of the country was the fact that the military administration put the relations with the center countries into an order which had been tensioned since the second half of the 1950s. The adopted development strategy has to be evaluated from this perspective.

In this era Turkey adopted planned development strategy. Though planning was not a novel phenomenon for Turkey it differed from its precedents in the 1930s by its comprehensive and integrated approach.¹²⁰ The debates on planning as well as demands of the donor countries for an economic planning since the mid-1950s were disregarded by the DP administration who was satisfied by the attained economic development “despite unplanned activities”.¹²¹ In the 1960s, on the other hand, necessity of planning was explained with respect to the unstable economic performance. According to this view, the low performance was due to the negative outcomes of unplanned and uncoordinated activities that resulted in unwise use of the available resources.

¹²⁰Z.Y. Hershlag, *Economic Planning in Turkey*, (İstanbul: The Economic Research Foundation, 1968), p.2.

¹²¹see Budget Debates of mid-50s.

In this favorable conjuncture, the new Constitution of the Turkish Republic defined the requirement of national economic planning. By the Law no 91, enforced on September 30, 1960 the State Planning Organization (SPO), an organization in charge of proposing and implementing plans for economic, social, and cultural development under High Planning Council, headed either by Prime Minister or Deputy-Prime Minister was established. The First Five Year Plan covering 1963-1967 era within a more general framework of a 15-year development program became operative on January 1, 1963.

Another distinguishing feature of the era was the shift in the locomotive sector of development strategy. While in the First Five Year Development Plan a balanced development of agriculture and industry was envisaged, by the Second Five Year Development Plan ISI in the 1960s became the locomotive sector of the economy.¹²² Similar to the previous era, this shift in development strategy was in full conformity with the views of center countries.

Like planning, ISI was not a novelty for Turkey; instead, since 1929 it had dominated Turkish development strategies. Though Hansen says that the choice of strategy was related to the political philosophies of the party in government¹²³, this statement is not very suitable to Turkey's realities. While the RPP stood for statist policies, both the DP and the Justice Party (JP) as the center-right parties stood for private sector, at least in rhetoric. In the era under study these two center-right parties dominated governments. Therefore, more than philosophies, Turkey's realities determined the course of the policy since industrial sector

¹²²*Eighth 5 Year Development Plan: Industry Policies Ad Hoc Committee Report*, SPO, (Ankara: SPO, 2000).

¹²³Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.360.

which was at infancy required protection. In addition to this, Turkish policymakers referred to the assumed long-term outcome of the policy, namely possibility of improving the country's balance of payments in justifying ISI.

Yet, owing to the outcomes of the ISI policies of the previous decades, qualitative hallmark of the 1960s was the composition of the produced goods. The goods represented an advanced stage in industry. In contrast to the consumer goods composition of industrial products, in the 1960s durable goods such as radios, refrigerators, washing machines, televisions, automobiles and similar as well as basic intermediaries such as iron-steel, copper, aluminum, petro-chemistry, chemicals, and construction materials were produced. Turkey moved to this stage due to the attained industrial level in the late 1950s. By 1960, Turkey had complemented the production basis in consumer goods.

The support of the center countries given to ISI was explained with respect to the composition of industrial production. This industrialization drive, however, did not pose a challenge to the country's ranking in the world economic hierarchy. Instead it augmented its dependency on the center countries. In contrast to the previous era when Turkey had to import consumer goods, in the 1960s the country was at the stage of importing capital goods as well as a considerable amount of intermediate goods. This was in line with the interests of the center countries since not only were their prices higher than those of consumer goods but also it represented a stable demand relation. Though ISI, on the one hand, enabled domestic production of certain goods which were previously imported, on the other hand, owing to the

growth of manufacturing output, there was an increase in the volume of importation.¹²⁴ This made the country a lasting market for the center countries.

Official statement of this support was the OECD Economic Survey of 1961. Reflecting the endorsement of ISI in this, center countries pointed out that the main strategy of Turkey had to save foreign currency in her imports as well as development of domestic industry. It recommended partial liberalization of the foreign trade regime, excluding domestically produced goods or domestic production of which was possible in the foreseeable future. While imports of goods essential to the achievement of the Plan would be encouraged, it recommended restriction of luxurious goods. In 1966, during the preparation of the Second Five Year Development Plan, OECD aid consortium recommended even stricter terms for the import regime through higher import duties or import taxes. This policy line was defined as the condition for ISI's profitability in economic terms.¹²⁵

Consequently, ISI became the basic feature of the prepared five year development plans, yet the degree of industrialization varied in the Plans. While the First Five Year Development Plan withdrew the unbalanced growth idea, and covered whole sectors with special reference to social development, the Second Five Year Development Plan gave more importance to industrialization than the first one. By and large planning principles with the ultimate objective of 7 % annual growth and economic policy remained unchanged until the debt crisis of 1978.¹²⁶ Agriculture and industrialization policies of the era are examined in the light of this information in the following section.

¹²⁴Keyder, "Economic Development and Crisis: 1950-80", p.298-9.

¹²⁵Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.363-4.

¹²⁶*Ibid.*, p.351, 353; Şahin, *Türkiye Ekonomisi*, p.127-8.

c. Agricultural Development Policy of Turkey in 1960-73 Era :

Parallel to the shift in development strategy in the 1960s, the role of agriculture was defined as a complementary one. This “complementation” arose from the fact of its being the main source for exportation, supplier of raw materials as well as being a market for domestic industry. In other words, as Margulies and Yıldızoğlu state, this multi-faceted function of agriculture promoted the integration of industry and agriculture in the 1960s.¹²⁷ The growth rate of agriculture from 1961-63 to 1977-79 was 3 %. This rate had been 5.1 % for 1948-50 to 1961-63. The contribution of agriculture to total GDP growth declined even more strongly, from 23.7 percent in 1951-53 to 1961-63 to 14.0 percent in 1961-63 to 1977-79.¹²⁸

Factors that induced agriculture’s decline varied, top among which was Turkey’s reaching the ultimate boundary for expansion of cultivated lands, that is “close of the frontier”. Facing this, governments redefined the agricultural development strategy as intensified agriculture. Outcome of this new orientation was the adoption of the so-called Green Revolution. Indicating intensified agricultural methods, main premises of this Revolution were improved seed varieties, increased mechanization, expanded irrigation system along with increased use of inputs such as chemicals and pesticides.¹²⁹

Adoption of this policy indicated some continuity as well as shifts from the policy line of the previous era. Similar to the 1950s, the Green Revolution excluded the majority since its feasible implementation was only possible on large tracts of land. This meant that orientation of these techniques was to be practiced by the big landowners and commercialized farmers.

¹²⁷Margulies and Yıldızoğlu “Agrarian Change: 1923-70”, p.283.

¹²⁸Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.356.

¹²⁹*Ibid.*, p. 356; Program of the First Coalition (8th İnönü) Government, 20 November 1961; Program of the Second Coalition (9th İnönü) Government, 25 June 1962; Margulies and Yıldızoğlu “Agrarian Change: 1923-70”, p. 279.

Besides, it required substantial amounts of importation from the center countries. This was the irony of the policy as it was justified to attain Turkey's self-reliance in agriculture. Even if the country attained self-sufficiency with respect to production levels, this would not challenge the country's dependence on the center countries. Instead a more institutionalized form of dependence was realized. Moreover, the commercialized farmers increasingly continued to enjoy various forms of incentives including expanded bank credits and subsidies.

Parallel to these similarities, there were differences in some patterns and policies. Top among these was the change in the irrigation policy. In contrast to the relative neglect of small-scale irrigation schemes in favor of large-scale ones such as dams, the small-scale irrigation schemes were given high priority as intensified agriculture required regular irrigation. As a result of this, the size of the irrigated area doubled from 1960 to 1973.¹³⁰

The increased use of fertilizers indicated a difference from the previous era when their consumption was low. Between 1960-69, use of fertilizers increased more than tenfold. Despite the increase, the foreign experts did not regard the level as an adequate one. One of the crucial impeding factors for unsatisfied level of consumption was the high cost of fertilizers. Turkey was one of the countries where the fertilizer was most expensive. Therefore, in line with the recommendations of the foreign experts, in order to assure higher consumption levels, which were regarded as a precondition for the attainment of production

¹³⁰*Confidential Barker Mission to Turkey: Member Report No.9 on Turkish Agriculture* by L.E. Kirk and William H. Nichols, 15 October 1950; Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.344; Margulies and Yıldızoğlu "Agrarian Change: 1923-70", p.281.

goals of the policy, governments adopted various incentive policies as well as “fertilizer use” demonstration programs in collaboration with FAO.¹³¹

As another feature of the era, agricultural mechanization continued, though not with frequent increase. The end of stagnancy in tractorization commenced in the mid-60s and continued until the 1980s. While the number of tractors was 42.100 in 1960, this increased up to 105,865 in 1970 and reached 435,000 in 1980.¹³² Though importation of tractors was still the main trend, other machines were also imported.

Table III ---Increase in the usage of capital inputs in agriculture

Years	Tractor (1000 piece)	Combine(1000 piece)	Thresher(1000 piece)	Chemical fertilizers (1000 ton)
1960	42.1	5.6	2.5	-
1965	54.7	6.5	4.3	802.8
1970	105.9	8.6	14	2217.3

SOURCE: SSI, Statistical Annuals of Turkey

Assessment of the policy revealed that the Green Revolution was satisfactory for the policymakers owing to the attained productivity level. Productivity that rose by 1.3 % per year in 1950-60, accelerated in the 1960s by an average of 2.5 % annually.¹³³ Another outcome of this policy was diversification in the composition of agricultural products. The era witnessed the shift from cereal production to cash crop production such as cotton, tobacco,

¹³¹*Journal of TBMM Records*, Term II, Volume 4, Meeting 1, Agriculture Ministry Budget Debates, 22 February 1966; *Journal of TBMM Records*, Term II, Volume 14, Meeting 2, 22 February 1967, Agriculture Ministry Budget Debates, p.226; *Journal of Republican Senate Records*, 29 November 1962, p.190; Margulies and Yıldızoğlu “Agrarian Change: 1923-70”, p. 281.

¹³²Margulies and Yıldızoğlu, “Agrarian Change: 1923-70”, p.280; Şahin, *Türkiye Ekonomisi*, p.140.

¹³³Margulies and Yıldızoğlu “Agrarian Change: 1923-70”, p.281.

sugar beet, tea, sunflowers and olives. Though gradual, this was important in reflecting the commercialization of agriculture. While the marketizing ratio for cereals was around 30 %, this degree increased to 90 % in cash crops, except oil with a degree of 66 %. Owing to this shift in priority, the agricultural export amount increased considerably, from an average of \$ 283 million in 1961-62 to \$ 464 million in 1970-71.¹³⁴

d. Industrialization Policy of Turkey in 1960-73

As mentioned above, the accepted development policy of the planned era was ISI. The shift in the locomotive sector of the development strategy also indicated the rearrangement of priorities. The annual growth rate of industry between 1963-71 era was 9 % and its share in national income was 27 % by 1970. In Keyder's words this was "the 1960s boom". Consistent with the pursued policy, this rate was an outcome of a well-protected domestic market. Though the growth rate was high, it failed to attain the objectives of the Plan envisaged for industry, which was 12.3 %.¹³⁵

Owing to the completion of the consumer goods industrialization, industrial activities of the planned era represented an advanced stage. In this era, the composition of industry was made up of durable goods and investments goods. In terms of attained level, the investment goods did not repeat the spectacular achievement seen in durable goods. This trend was explained by the high and early profit returns of the first and the latter's being the most advanced and most difficult stage of industrialization.¹³⁶

¹³⁴Ibid., p.279-280.

¹³⁵Keyder, "The Political Economy of Turkish Democracy",p.48; Şahin, *Türkiye Ekonomisi*, p.141.

¹³⁶Şahin, *Türkiye Ekonomisi*, p.142.

Out of all industrial activities, manufacturing comprised the substantial part of industry sector. During the First 5 Year Development Plan, its growth rate was 9.6 %. A majority of the created industrial capital was due to this sector's production in the era. Besides, 90 % of all employees in industry sector also worked in manufacturing industry. The composition change in industry was best viewed in this manufacturing industry, since by time while the share of consumption goods decreased, intermediaries and investment goods increased. In the process, it was again the food, weavery, cloth and leather products of the manufacturing industry which were exported.¹³⁷

For the planners, the high priority objective of the industrialization drive was to save foreign currency by producing these goods domestically. Yet possibility of earning foreign currency was also regarded as a fringe benefit. In a publication of SIS, industrial branches were categorized into three as those whose goods could be exported, those who met the needs of the country and others. Sugar industry, carpet weaving and textiles were among the first category. By 1968, exportation of these comprised 7 % of the total exportation. Woolen and silk textile industry, foodstuffs, cloth industry were among the second which met the needs of the country. Machine industry, stone-soil, glass industry, chemicals industry, paper industry, and transportation industries were defined as other industries.¹³⁸

The profile of industrial activities of the public and private sector reveals that profitability was the main thrust for the private sector. High profitability of the durable goods sheds light on

¹³⁷Ibid., p.144, 146; Engin Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, (İstanbul: Soyut Yayınları, 1975), p.180.

¹³⁸SIS, *50 Year of Social and Economic Development in Turkey*, (Ankara: SIS Publications, 1973) p. 157 quoted by Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.180-1.

private sector's concentration in this branch.¹³⁹ On the other hand, the public sector was active mainly in monopoly goods, transportation vehicles, coal, petrol products as well as iron-steel industry branches. Acting mostly in a complementary fashion, the claim of competition between the two seems not to have been realistic owing to scales and financial resources of the public sector. A study of SIS in 1973 revealed that the public sector operated with a more advanced technology than the private sector. Productivity per production unit was higher in the public sector. Though public sector owned only 7.9 % of the facilities, it created 52.7 % of the acquired value added.¹⁴⁰

In this era, in addition to the protected domestic market the private sector enjoyed various incentives for its industrial activities. As an incentive to reduce the production cost, governments widely subsidized in the industry covering cheaper intermediary inputs, cheap infrastructure and other facilities.¹⁴¹

This was the brief examination of the industrialization endeavors in the 1960s. As the locomotive sector of the economy, industry enjoyed the highest allocations and various incentives due to the belief that it led to self-reliance of the country. In essence, this was the motto in adopting all the policies of the era commencing in post-WW2. The degree of attainment of objectives is analyzed in the following pages.

¹³⁹*Journal of TBMM Records*, Term II, Volume 34, Meeting 4, Budget of Ministry of Industry, 22 February 1969, p.550.

¹⁴⁰SIS, *50 Year of Social and Economic Development in Turkey*, (Ankara: SIS Publications,1973) p. 157 quoted by Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.171, 184-5.

¹⁴¹Boratav, *İktisat ve Siyaset Üzerine Aykırı Yazılar*, p.17; Şahin, *Türkiye Ekonomisi*, p. 143, 146.

Outcomes of Development Strategies

a. Outcomes of the Agricultural Development Policies (1947-73)

The challenge of the adopted agricultural development policies was to make the country a “breadbasket” for the European countries through generating her natural potentials. During the first era the donors and Turkish policymakers agreed on the necessity of policies with quick high returns relying on the increasing food deficiency in the West European countries. The outcome was the adoption of agricultural mechanization program along with some supplementary policies.

Agricultural mechanization was regarded as a ‘must’ for Turkey’s attainment of productive goals. The initial years following the adoption of the program were distinguished by a production boom and promotion, which resulted in an optimistic atmosphere in the country and the related US circles. In 1952, Turkish policymakers heralded the overall solution of the wheat problem.¹⁴² In 1953 Turkey became the fifth greatest wheat exporter country in the world. However, in a year’s time it again became a wheat importing country. The production level of 1295 kg per hectare in 1953 decreased to 854 kg in 1954, the lowest annual average since 1934.¹⁴³

When Turkish officials prepared to seek aid for wheat importation this was a great surprise for the US Mission and other high rank officials as the reversal trend was very rapid. These American officials believed that wheat existed in the country and it was the task of the Turkish authorities to use all their measures within their power to get it before asking the

¹⁴² *Journal of TBMM Records*, Term IX, Volume 18, Meeting 2, 27 February 1952.

¹⁴³ *Journal of TBMM Records*, Term X, Volume 10, Meeting 2, 1956 FY Budget Debates, 20 February 1956, p. 343.

ECA.¹⁴⁴ Developments, however, revealed the unattainment of this request. On November 1, 1954 Turkish delegation commenced negotiations with the American officials for Turkey's wheat importation under PL 480. For the requested amount of 300 000 ton wheat and 200 000 ton coarse grain, Turkey asked for a barter deal for 100 000 tons of wheat from US for chrome ore from Turkey. Explaining the rapid reversal trend in production level with respect to the serious drought that resulted in a bad crop year, the delegation emphasized Turkey's obligatory appeal to the USA owing to the inadequacy of dollar reserves.¹⁴⁵

The abrupt reversal in the production level was due to Turkish agriculture's vulnerability and dependency on uncontrolled variables such as climatic conditions. During the short-lived agricultural boom the ruling party denied the direct correlation between the good harvest and favorable weather conditions. Any explanation referring to good weather conditions' contribution to high production level was rejected and labeled as unfair and deliberate undermining of the achievements of the ruling party.¹⁴⁶ In contrast to the insistent denial of this relation by the ruling party, the US officials recognized this fact. In the confidential economic review the officials raised doubts about the country's ability to sustain its "presently high rate of economic development" by referring to this feature of Turkish agriculture.¹⁴⁷

The immediate impact of Turkey's poor performance was the end of the consensus between the superpower and its small ally on the accuracy of the adopted agricultural development policy. Turkish policymakers blamed the USA for these unsatisfying outcomes. They claimed

¹⁴⁴Memo from Henry Wiens, Acting Chief of Mission to Orren R. McJunkins, Deputy Chief of Mission, 16 February 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

¹⁴⁵Confidential Minutes of Meeting, Staff Committee on Agricultural Surplus Disposal, 1 November 1954, RG 59, Department of State, Miscellaneous Lot File, Office File of Harry N. Howard, UN Advisor, Bureau of Near Eastern, South Asian and African Affairs, 1940-57.

¹⁴⁶*Journal of TBMM Records*, Term IX, Volume 18, Meeting 2, 23 February 1952, p.624.

¹⁴⁷Confidential Memo about Economic Review: Turkey, July-September 1954, 26 November 1954, American Embassy Ankara, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1953-54.

that the backfired agricultural policy was encouraged by the US. Another source of complaint was the US' pressing of the Turkish policymakers to liberalize imports in 1951 and 1952 in the midst of a bad drought as a result of which a flood of goods came in that still could not be paid for.¹⁴⁸ Such an early confrontation on the unsoundness of the program, however, did not lead to a policy change. Instead, importation of machines continued until the end of the decade.

Critical assessment of the agricultural development programs of the first era indicated an orthodox approach that shaped the program. This led to the underestimation of Turkey's dynamics. While this represented the core of the problem, however, the situation was aggravated due to its being mishandled by Turkish policymakers and officials. As a result of this, hundreds of types of machine's importation turned to be an impassable problem of spare parts as well as inadequate number of repair shops¹⁴⁹, idleness of the imported machinery which meant waste of resources¹⁵⁰ and excessive prices of the spare parts due their sales in black market.¹⁵¹ This self-criticism in the country, on the other hand, juxtaposed with the criticisms of the American authorities. Evaluation of the program with respect to these factors shed light to the lasting interplay of the external and internal dynamics during its implementation.

First of all, the implemented agricultural mechanization program was not feasible for Turkey due to the prevailing conditions in rural areas. Agricultural mechanization was promoted in a

¹⁴⁸Confidential Informal Record of Meeting with the Secretary and Undersecretary Prepared by W. Baxter, GTI, 29 April 1955, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

¹⁴⁹*Journal of TBMM Records*, Term X, Volume 5, Meeting 1, 19 February 1955, 1955 FY Budget Debates, p.258.

¹⁵⁰*Journal of TBMM Records*, Term X, Volume 10, Meeting 2, 20 February 1956, 1956 FY Budget Debates; Berch Berberoglu, 'Postwar Reintegration of Turkey into the World Economy, 1950-60' in *Journal of Asian and African Studies*, XIV (July -October 1979), p.261.

¹⁵¹*Journal of TBMM Records*, Term IX, Volume 26, Meeting 4, 9 December 1953, p.111.

country where more than 80 % of its rural population had very small landholdings. Not only the machine types but also costs of the machines led to an automatic exclusion of the majority of rural population. Besides, the imported machinery was capital-intensive. This was another irrationality as the country had an increasing surplus of labor force. By their labor saving features, these machines led to the displacement of a great number of people from their activities at the expense of those who afforded to buy these types of machinery. What aggravated the negative effects of this mechanization in Turkey was the absence of a sound non-agricultural sector, mainly industrialization, to absorb this surplus labor force.

These features of the program indicated a dual exclusion that affected small landowners as well as agricultural laborers. But these outcomes were expected and welcomed for the initial stages as the program was prepared by the trickle down principle. The assumption beneath this principle was the trickle of the gained wealth down to all segments of the population by time. In that respect the initial disturbing effect of the program was not seriously taken into consideration. Yet, in the case of Turkey what raised the anxiety of the US administration was the relative smallness of those who fell into the scope of the program. Referring to the “vastness” of the excluded farmers owing to the size of their land holdings and insufficient capital to purchase such machines, the American technical experts regarded the situation as an “extraordinary one.”¹⁵²

Defining the Mission’s interference as a must they concluded that unless someone else guided the mechanization program, at the end “wheat will still be sown by hand and plowed under

¹⁵²Memo of Meeting, December 7, 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Technical Assistance Program, 1950.

and farmers will go broke.”¹⁵³ As a precaution to assure the success of the program, American officials recommended the establishment of farm machinery cooperatives in order to enable the access of average size Turkish farmer to these machines.¹⁵⁴

Another memo reflected the same sort of anxiety. In less than a year in April 1950, Head of ECA warned the US Mission in Ankara about the appraisal of the demands of Turkey for new importation of agricultural machines. Harriman asked from the American Embassy in Ankara to encourage Turkey on the usage of smaller and less expensive combines and tractors. He defined this as praiseworthy referring to the fact that they were the only types, which could be afforded by medium and small-size farmers. Consistent with this warning, technical experts emphasized the necessity of importing small types of laborsaving equipment that could be used with animal power with a cost low enough to be afforded by millions of small landowners.¹⁵⁵

However, the Turkish policymakers rebuffed any initiative of the American technical personnel. Against the recommendations for medium and small size machinery, Turkish policymakers referred to the urgent need for an increase in overall foodgrains production. Equated big-sized machinery with productivity rise, Turkish officials pointed out large estates and state farms as the focal point of their program.¹⁵⁶ This insistence of the Turkish

¹⁵³Memo from Hugh K. Richwine, Food and Agriculture Officer to W.R. Nolan, Farm Machinery Branch, Industry Division, ECA, 7 April 1950, RG 286, Records of the Agency for International Development Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

¹⁵⁴Memo from Lyle J. Hyden, Farm Machinery Specialist to Russell H. Dorr, Chief of US Mission and Hugh Richwine, Food and Agriculture Expert of the Mission, 22 November 1949, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

¹⁵⁵*Economic Phases of an Agricultural Program in Turkey* by Ralph E. Ward, Agricultural Economist, Consultant on Technical Assistance (TA) Projects, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Technical Assistance Division, Records Relating to Technical Assistance Projects, 1950-55.

¹⁵⁶Secret Memo from Averrel Harriman to American Embassy in Ankara on Machine Importation, 4 April 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of

policymakers on the big-size machinery led to an impasse. When the ECA was increasingly criticized by the US State Department for not interfering with this miscalculated and unbalanced importation,¹⁵⁷ the Mission attempted to incorporate some measures to agreements they accorded with the Turkish government which would enable the close surveillance and direction of the machination program by the American technical experts.

This attempt, however, arouse Turkish government's antipathy. Regarding American officials as overbearing, uncooperative and tending to interfere in Turkey's economic plans "beyond the call of duty", Turkish government implied the possibility of Turkey's withdrawal from the Marshall Plan.¹⁵⁸ In the process, though Turkey did not withdraw from the Marshall Plan, she froze her relations with the ECA Mission from mid-1952 to December 1954 by putting an end to normal consultations as well as meetings on economic matters.¹⁵⁹ In addition to this attempt, another factor that went parallel to this and made the Turkish policymakers increasingly uncompromising was PM's increasing dissatisfaction with the performance of the Chief of Mission when he bypassed PM and established direct communications with the President of the Republic.¹⁶⁰

Sales of improper and insufficient equipment represented the other important facet of the mishandling of the program. Sale of partial or unadapted sets of equipment, use of wrong types of equipment and oversized tractors were the basic deficiencies of the program from the

Mission, Classified Subject Files 1948-56; see also Kemal Karpaz, "Social Effects of Farm Mechanization in Turkish Villages" in *Societal Research*, 27 (1960).

¹⁵⁷Memo from Hugh K. Richwine, Food and Agriculture Officer to Russell H. Dorr, Chief of Mission on Cereal Production Equipment and Tractors for Turkey, 11 June 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

¹⁵⁸Memo from Colonel John Meade to the Ambassador, November 7, 1951, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, General Records 1950-52.

¹⁵⁹Secret Informal Record of Meeting with the Undersecretary on Turkey's Loan Request Prepared by W. Baxter, GTI, 28 April 1955, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

¹⁶⁰*Ibid.*

beginning. Turkish officials' failure to deal with these issues as a result of both controllable and uncontrollable factors threatened the program totally as it led to a waste of resources as well as impeding the optimum use of machines. Defining the Turkish officials as neglectful and shortsighted on this issue, the American technical experts asked for new mechanisms that would enable their efficient interference with the process.¹⁶¹ Turkish authorities, while regretting these attempts, explained the prevailing deficiency with respect to the independent spirit of the Turkish peasants. According to the Ministry of Agriculture the character of farmers in the country who acted freely and independently with a special dislike of interference of the State into their own businesses was the main cause of improper sales.¹⁶²

The spare parts issue turned to be much more problematic owing to the fact that Turkish policy makers dealt with the issue in an unplanned manner. Various forces were at force in this failure. While Turkish officials referred to the obligation of a wide variety of importation parallel to the varied agricultural machines and shortage of foreign currency by the mid-50s, American officials also referred to the pressure of dealers who put very high margins of profits, black marketing as well as reluctance to import spare parts at all, in preferring the quicker profits to be made by importing new vehicles.¹⁶³

¹⁶¹Memo from Hugh K. Richwine, Food and Agriculture Officer to W.R. Nolan, Farm Machinery Branch, Industry Division, ECA, 7 April 1950; Notes of Technical Assistance Conference, 11 August 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Technical Assistance Program, 1950; Memo from Hugh K. Richwine, Food and Agriculture Officer to Russell H.Dorr, Chief of Mission on Cereal Production Equipment and Tractors for Turkey, 11 June 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

¹⁶²Memo of the Meeting btw Minister of Agriculture Cavid Oral and Russell Dorr, 1 December 1949, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Technical Assistance Division, Records Relating to Technical Assistance Projects, 1948-53.

¹⁶³Memo from Russell Dorr, Chief of Mission to ECA Administration, Confidential, 13 June 1950, RG 469 Records of the U.S. Foreign Assistance Agencies, Geographic Files; RG 286, Records of the AID Mission to Turkey, NARA. Subject Files; see also Bahattin Akşit, "Kırsal Dönüşüm and Köy Araştırmaları: 1960-80" in *Türkiye'de Tarımsal Yapılar, 1923-2000*, comp., Pamuk and Toprak, p.134.

As a result of these factors, Turkey turned into a “machine cemetery”. The price of this was very high for Turkey who relied on foreign resources for the importation of the machinery. The danger of such financing proved itself in Turkey’s increasing balance of payments problems. Shortage of financial resources resulted in failure to import even the most required equipments.

Examination of the policies indicated that not only the agricultural mechanization but also policies adopted as supplementary of the agricultural mechanization also challenged the interests of the excluded majority. Top among them was expansion of cultivated lands. Aiming at the commercialized farmers applying mechanized agriculture this policy endangered the future of the main alternative income resource in Turkey, namely animal husbandry. This was due to the fact that majority of the land opened for cultivation was pastures. This practice was first commenced during one party era within the scope of Land Distribution Law when the pastures were distributed to landless peasants. In the 1950s it was accelerated and by time, peasants faced the problem of feeding their animals.¹⁶⁴

Another supplementary policy that had negative impacts on the rural majority was the agricultural credit. Regarding agricultural credit as an important means that led to production

¹⁶⁴*Confidential Annual Food and Agricultural Report* submitted by ECA Special Mission to Turkey (Russell Dorr, Chief of Mission, Hugh Richwine Food and Agriculture Officer, Wilfred H. Pine, Agricultural Economist, Alton G. Levenson Farm Machinery Expert) on 10 February 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56; *Journal of TBMM Records*, Term VIII, Volume 16, Meeting 3, 27 February 1949, p. 856; *Journal of TBMM Records*, Term IX, Volume 20, Meeting 3, 20 February 1953, p. 571; *Journal of TBMM Records*, Term X, Volume 5, Meeting 1, 26 February 1955, 1955 FY Budget Debates, p.801; *Journal of TBMM Records*, Term VIII, Volume 3, Meeting 1, 20 December 1946, 1947 Budget Draft, p.325; Aydın Ulusan, “Public Policy Toward Agriculture and Its Redistributive Implications” in *The Political Economy of Income Distribution in Turkey*, eds., Ergun Özbudun and Aydın Ulusan (New York: Holmes and Meier Publishers, 1980), p.140; see also Mübaccel Kıray, “Türkiye’de Köy ve Köylü Sorununa Kalkınma Planlarının Yaklaşımı”, *ODTÜ Geliştirme Dergisi*, 1 (1970- 72 Güz); see Bahattin Aksit, “Studies in Rural Transformation in Turkey, 1950-1990” in *Culture and Economy*, ed., Paul Stirling.

and productivity increase¹⁶⁵, Turkish policymakers expanded it considerably. While aiming at the minority, the policymakers did not pay much attention to the majority. As a result of the powerful minority's increased accessibility to the public resources, the existing dual credit structure reinforced and differentiation among the higher and lower segments of rural population increased.¹⁶⁶

In sum, the program's exclusion of the majority of the rural population, its financing from the foreign resources, mishandling due to controllable and uncontrollable factors such as unplanned and unsystematic implementation, lack of efficient monitoring, importation of unadapted and unset machinery, application of the program through political considerations, and influence of various elite group that the governments paid attention to were its main deficiencies. All these were crucial in shaping the unsatisfactory outcomes of the program.

Assessment of the agricultural mechanization with respect to increased production, on the other hand, revealed that the program was not successful. At the end of the process Turkey had to import foodgrains. The process did not lead to a stable production level either; instead fluctuations were the distinguishing feature of the agricultural production. This feature sheds light on another deficiency in the sector, which was agricultural activities' vulnerability to uncontrollable factors such as climatic conditions. Due to this vulnerability there was a direct correlation between adequate and timely rainfall and high production levels. Preoccupied with energy and power needs of the country in the 1947-60 era the policymakers neglected

¹⁶⁵ *Journal of TBMM Records*, Term IX, Volume 20/1, Meeting 3, 16 February 1953, p.305.

¹⁶⁶ *Confidential Member Report No. 9 on Turkish Agriculture*, Barker Mission to Turkey, 15 October 1950, RG 286, Records of the AID Mission to Turkey, NARA. Classified Subject Files; Ulsan, "Public Policy Toward Agriculture and Its Redistributive Implications", p.130; see also Timur Kuran, 'Internal Migration, the Unorganized Urban Sector and Income Distribution in Turkey 1963- 78' in *The Political Economy of Income Distribution in Turkey*, eds., Ozbudun and Ulsan; Erhan Köksal, "Türkiye'de Tarımsal Kredi Sorunu", *ODTÜ Geliştirme Dergisi*, 3 (Güz,1971).

small-scale irrigation schemes which could be the sole solution to reduce production's vulnerability to climatic conditions.

The policymakers had to leave this negligence by the 1960s parallel to the adoption of intensified agricultural technologies as a remedy to have a more stable and adequate production level. Relying on extensive use of modern agricultural inputs including high variety seeds, fertilizers, pesticides, machinery along with regular irrigation the so-called Green Revolution led the policymakers to be more sensitive to small-scale irrigation schemes. Though wider application of intensified agricultural techniques provided a higher and relatively stable production level, this posed another dilemma for the country. In contrast to the objective of self-reliance, the country, in any case, grew dependent on foreign countries. While the agricultural production of the country was vulnerable to uncontrollable conditions and this led to low production rates, this dependency was in the form of foodgrains production; by the adoption of techniques to reduce this vulnerability the dependency was converted to importation of large amounts of modern inputs which required high foreign exchange allocations. In both cases, as the financing was not done by domestic resources, the outcome was increasing indebtedness and vulnerability to the availability of foreign exchange reserves. This outcome proved the failure of comparative advantage principle, which was the principle center countries relied on for the shift in locomotive sector of the economic development.

Assessment of the agricultural development strategies with respect to their impacts on social structure in rural areas indicated an increasing differentiation among the higher and lower segments of the rural population. The agricultural strategies until 1973 were shaped by the trickle down principle whose underlying assumption was the trickle of the gained wealth

down to all segments of the population through time. Instead of trickle down, concentration of power and institutionalization of the interests of the minority at the expense of the majority was the case. As the strategies aimed at commercialized agriculture the ones involved in this attained higher incomes. Since this segment made up the minority of the rural population the majority was left untouched and continued their subsistence agricultural activities. The increased difference in incomes reinforced the prestige and power of the commercialized minority vis-à-vis the majority. In other words, this feature indicated the sharpening of the dual structure in rural Turkey. One facet of this duality was the commercialized minority distinguished by its developed urban values and manners as well as integration to the world economy. The other represented the majority that continued to survive by subsistence agriculture, unable to have any access to public resources and highly vulnerable to conjuncture developments.

Assessment of the program from the perspective of the center countries revealed its success. The agricultural development strategies served both the practical and strategic considerations of the center countries. Owing to the agricultural boom of initial years Turkey managed to fulfill its role in the ERP as a foodgrains supplier country. In addition to the practical concerns, these strategies had far-flung outcomes with respect to the center countries strategic considerations. Through these strategies Turkey was put “in order” regarding its participation in the international division of labor as an agricultural country. Shaped by the comparative advantage principle it was assumed that by exploiting its vast arable lands, Turkey contributed to the world market via exportable agricultural goods. This assumption was, however, invalidated in the Turkish case. Turkish exportable agricultural goods were in most cases uncompetitive in world markets due to their higher prices and low standards. The produced wheat was not only harsh but also rusty which resulted in serious loss of the value of the

product. Especially oxidation of the wheat was a serious problem, which led to the loss of the existing markets. The same was true for the produced cotton.¹⁶⁷

Though there was a sort of agreement on the low standard of the products, the higher prices of the exported goods represented a bone of contention between center countries and Turkey. The higher prices of the goods were mainly due to Turkish policymakers attempt to reflect the widely applied subsidies to the prices in order to meet the budget deficit aroused due to subsidies. The higher prices than the world market meant that they had difficulty in finding customers for their goods in the world market. Despite this difficulty Turkish policymakers lacked flexibility in the determination of the prices. In a miscalculating way Turkish governments had insistently announced higher prices even when there was an abundance of the exported goods in the world market. This inflexible attitude of the Turkish policymakers led frictions between the center countries and Turkey. The continuous tendency of Turkish governments was defined as their continuous search for of the possibility of selling the exportable goods at higher prices. Criticized and also pressed by the US officials, Turkish policy makers were attempted to be convinced to adopt a reasonable price policy as well as better marketing techniques.¹⁶⁸

¹⁶⁷Notes on Technical Assistance (TA) Monthly Conference Notes, 7 December 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Technical Assistance Program, 1950; Memo from W.H. Pine to Hugh K. Richwine, Food and Agriculture Officer on Farm Equipment Program, 26 March 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

¹⁶⁸Secret Information to Secretary of State, Summary of the Discussions-SRE, MSA/W and Country Teams on Current Economic Problems, Paris, July 28-31, 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files, 1948-56; Memo from Dorr, Ankara American Embassy to MSA Paris on 15 March 1952, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Director of Administration, Administrative Services Division, Communications and Records Unit, Geographic Files, 1948-53; Restricted Security Information from Kenney, MSA Paris to American Embassy Ankara, 21 March 1952, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Director of Administration, Administrative Services Division, Communications and Records Unit, Geographic Files, 1948-53; Memo from Francis M. Coray, Food and Agriculture Officer to Henry Wiens, Acting Deputy Chief of Mission on Grain Purchasing Program, 21 May 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56.

b. Outcomes of the Industrial Development Policies (1947-73)

By the 1960s Turkey reoriented its development strategy by shifting the locomotive sector to import substituting industrialization. This shift led to the reemergence of the 1930s' view regarding industry's being the sole remedy of a less developed country to become self-reliant. Shaped by this view one of the basic objectives of the planned era was the high possibility of Turkey's reaching self-reliance at the end of the Second Five Year Plan when she was no more in search of exceptional external finance such as foreign aid for her development policies. Main premise of this objective was her industrialization drive of the 1960s.

Assessment of the industrialization drive from this perspective, however, reveals that the outcome of the drive was contrary to this common belief. The defined objective regarding the end of the Second Five Year Plan remained highly optimistic since Turkey's dependency on advanced countries increased mainly due to her industrialization drive. This was frustrating for the Turkish policymakers who based their modernization principle on industrialization by the advocacy that industrialization served the attainment of a nation's real economic independence. What led to this outcome of increasing dependence needs to be addressed, since answers of this reflected the structural problems of industry. The analysis reveals that the problem was not industrialization but how to industrialize.

The first deficiency of the Turkish industrialization was its unbalanced nature. The "unbalanced" nature of the established industry was reflected in the proportions of the sub-industries. In contrast to the highest share of the consumer goods, the share of the investment goods was the lowest. This disproportion between the consumer and investment goods industry reflected the pseudo-industrialization of Turkey. According to the definition, in an industrial structure higher proportion of investment goods industry

indicated genuine industrialization structure as this branch covered the machine production, metal goods, electrical machines and apparatus, electronics, highways and railways vehicle production, ship construction and aircraft industry.¹⁶⁹

However this definition was also misleading since criterion of genuine industrialization had to be production of these goods by relying on the country's domestic resources. As seen in the Turkish case, when the "production" was in the form of assembly, this did not represent a genuine industrialization. The widening scope of assembly industries in the process covered durable consumer goods and investment goods, leading among which were automotive industry, electronics, electrical engines and other electrical goods. Though in the short run, this was perceived as a "life buoy" as it enabled relatively comfortable provision of technology transfer and financial resources, in essence assembly industry reinforced Turkey's dependence on foreign countries,¹⁷⁰ in terms of resources such as industrial inputs and capital. Besides, the relatively comfortable provision of semi-manufactured and manufactured goods impeded genuine production.¹⁷¹ In this respect, assembly industry impeded the establishment and flourishing of national industry. In the Turkish context, attacks on the assembly industry focused on the fact that what Turkey witnessed was a disguised importation, and not industrialization.

Dependency on advanced countries in terms of industrial inputs and foreign currency as well as indifference to technology production was the core of the issues that explained why industrialization of the country did not serve its economic viability in the medium- and long-terms. Dependency on foreign resources was to such an extent that when the aid of Aid Consortium had a deficit of \$ 63 million in 1963, this impeded the implementation of the Plan.¹⁷² This outcome, which

¹⁶⁹Ibid.

¹⁷⁰Ergül Han, *Türkiye'de Sanayileşme Süreci ve Stratejisi* (Eskişehir: Eskişehir İktisadi ve Ticari İlimler Akademisi Yayınları, 1978), p.102.

¹⁷¹*Journal of TBMM Records*, Term II, Volume 34, Meeting 4, 22 February 1969, Budget of Ministry of Industry, p.541.

¹⁷²*Journal of TBMM Records*, Term I, Volume 27, Meeting 3, 19 February 1964, 1964 Fiscal Year Budget Draft.

indicated drastic increase in importation also invalidated another expectation from the ISI, namely saving dollars as a result of domestic production.

In the process some attitudes of the donor countries also aggravated the conditions of dependency. These included inadequate and delayed amounts as well as unfavorable conditions of the exchange transfer. Their negative impacts on the industrialization drive could be summarized as undercapacity and inefficient functioning of many industrial facilities and increased production costs. All these resulted in the widely known phenomenon of a gap between production capacity and realized production.¹⁷³

Technology transfer represented the other dimension of the dependency that made Turkey an enduring market for the center countries. In the ISI period of planned era, Turkey relied to a great extent on transferred technology for its industrial production, including the investment goods industries which were established to minimize the country's dependency on foreign countries. In the face of improving and changing technological developments the peripheral country had to either spend increased amount of foreign currency or continue its activities with outdated technology. In many peripheral countries, including Turkey, the latter was preferred. Besides, the center countries were firm on keeping the recent technology in their hands as they regarded this as the crucial means for their dominance over the periphery.

Finally, the industrialization drive of the country that lacked a sustained nature due to the above-mentioned factors also hindered employment generation. This was against the assumption of Turkish policymakers whose expectation was that along with services sector increased industrialization would lead to the absorption of surplus labor force relieved from agriculture. In the process, though the labor force in agriculture was reduced, in terms of absorption of labor force services sector was more

¹⁷³*Journal of TBMM Records*, Term X, Volume 10, Meeting 2, 21 February 1956, p.372; Resat Aktan, *Türkiye İktisadı* (Ankara: SBF, 1978), p.265-7; Keyder, "The Political Economy of Turkish Democracy" in *Turkey in Transition: New Perspectives*, eds., Schick and Tonak, p. 48; Boratav, *Türkiye İktisat Tarihi 1908-1985*, p. 89.

successful than industry. While in 1945 the percentage of the industrial employment was 6.6 %, this barely increased to 11.4 % by 1972.¹⁷⁴

¹⁷⁴Han, *Türkiye’de Sanayileşme Süreci ve Stratejisi*, p.85.

DEVELOPMENT STRATEGIES OF INDIA IN THE POST-WW2 ERA (1947-73)

An Introductory Glance at India in the Post-WW2 Era

India was another aid recipient country within the foreign aid policy of the USA. By the mid-70s it was among the top ranking countries with respect to the received aid. By Independence, Indian policymakers concluded that India had to use all sorts of means including foreign aid, as the available domestic savings were not enough for the economic development of the country. Consistent with the predominating assumption regarding foreign aid, the Indian policymakers claimed that flow of foreign exchange would put an end to the low domestic savings that impeded economic development and this would accelerate the rate of economic development of India. Yet, in their appeal for aid they had the reservation that aid had to be without strings.

Despite India's volunteerism for foreign aid, the amount of the aid from the USA was relatively low until the early 1960s mainly due to their different perceptions in diplomatic field. Though India did not belong to the "communist" bloc, she did not belong to the "free world" bloc either. This in-between stance shed light on the moderate allocations until the 1960s. Criticizing India on the one hand the USA, on the other, could not totally sacrifice India owing to her strategic importance, having a democratic political system and abundant but yet inefficiently exploited natural resources. Commencing in 1951, during the era until the early 1960s, most of the aid was in kind, mainly food aid along with small amount of aid in cash. The turning point between the two countries was John Fitzgerald Kennedy's ascension to the Presidency when the aid allocations reached to billion dollars.

Welcoming these initiatives, the Indian policymakers assumed that by the early 1970s the country would attain its self-reliance. But this was not the case. India was another example which invalidated the basic assumption of the foreign aid policy. In contrast to the expectations, the outcome was a highly dependent economy vulnerable to policy changes of the center countries. The question of what led to this outcome necessitates the examination of development policies as well as inner and external dynamics that affected the process at varying degrees.

Development Strategies of India in the Post-WW2 Era (1947-73)

14 August 1947 indicated not only the independence of India but also shattering of the foundation of the British colonial system. Standing as the backbone of this system, India's independence was an impetus for the emergence of new independent states. Two of them, India and Pakistan emerged by the partition of the land of Hindustan. This partition had very important short and long-term consequences in economic, political/administrative and diplomatic fields. While the partition stood for division of military forces and civil servants¹⁷⁵, it also stood for a lasting hostility between two neighbors, which found its first concrete expression in Kashmir issue. The economic dimension of the partition was very much related to the wellbeing of Indians since it led a deficiency in foodgrains and industrial raw materials, mainly jute, in India. This indicated strong dependency ties of India to foreign countries. It was an ironic outcome, at least initially, which was totally adverse to what the Indian Founding Fathers, mainly Jawaharlal Nehru, who stated that they accepted partition for the sake of economic development.¹⁷⁶

¹⁷⁵N. G. Goray, "The Doctrine of Non-alignment" in *Evolution of Socialist Policy in India: Proceedings of The Socialist International Council Meeting*, eds., Surendra Mohan, Hari Dev Sharma, Vinod Prasad, and Singh Sunijlam (New Delhi, Vigyan Bhawan, 1997), p.434.

¹⁷⁶J.D. Sethi, *Indian Economy Under Siege* (New Delhi: Vikas, 1993), p.1.

Attainment of Independence was the decades-long dream of the Indian people. They had great expectations related to their life standards. Meeting these expectations was crucial for the Founding Fathers since the national movement was propagated by the slogan that it was the British rule that hindered the economic development of the country. Moving from this rationale in the aftermath of Independence, the Indian policymakers defined their ultimate task as proving that the British rule, which represented colonial exploitation, was the factor that impeded the economic development of India.

The scope of the task that they had to undertake was, however, immense. In Nehru's words, India "was in a servile state, with its splendid strength caged up hardly daring to breathe freely; its people poor beyond compare, short-lived and incapable of resisting disease and epidemic; illiteracy rampant; vast areas devoid of all sanitary or medical provision and unemployment on a prodigious scale, both among the middle classes and masses". By the time of independence, India was one of the poorest countries in the world. Its economy had all signs of an underdeveloped country. While agriculture was the leading sector with the share of 49.1 %, it was followed by mines and manufacturing industries. Low productivity and inefficient use of existing resources was apparent in all fields. Affected by the partition, India required substantial amounts of foodgrains and industrial raw materials to meet the minimum requirements of the country. The rural areas comprising the majority of the population were, on the other hand, distinguished by widespread poverty.¹⁷⁷ Under these circumstances the Government of India (GOI) concentrated its efforts on determining, more truly crystallization,

¹⁷⁷Confidential Security Information FY 1954 Program of USA: India, RG 469, Records of the Agency for International Development and Predecessor Agencies, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-4; see also Charles Bettelheim, *India Independent* (New Delhi: Khosla, 1968); Anand Kumar, *State and Society in India: A Study of State's Agenda-Making, 1917-77* (New Delhi: Radiant Publishers, 1988); K.N. Subrahmanya, ed., *Economic Development and Planning in India* (New Delhi: Deep and Deep Publications, [n.d.]); G.S. Bhalla, "Agrarian Change in India Since Independence" in *Economic Development of India and China: A Comparative Study*, Indian Council of Social Science Research Lancer International in Association with Indian Council of Social Science Research, 1988; Ratnakar Gedam, *Industrialization in India* (New Delhi: Anmol Publications, 1992).

of the economic development strategy of the country. The adopted development policy had three pillars, namely planning, mixed economy and ISI.

The concept of planned development was not a post-Independence phenomenon. Instead it was an idea widely supported and had its heyday in the early 1930s during the Great Depression. At the time when the capitalist system suffered from various setbacks, the success of the USSR, “the Russian miracle” under a planned economy fascinated the people in the LDCs. This conjuncture expanded the scope of pro-planners to upper-income groups,¹⁷⁸ yet with different expectations. While for the majority of the pro-planners the planned development was the mechanism for an egalitarian social order, for the upper segments of Indian society planning was a mechanism that served the empowerment of the private capital through constructing the required infrastructure.¹⁷⁹

Mixed economy was the second pillar of the adopted development strategy. Against the claims of the leftist components of the Parliament who demanded total state ownership that left no place to private sector¹⁸⁰, the rightists as well as pragmatic socialists, including Prime Minister Nehru himself propagated mixed economy. Their support of the mixed economy indicated realism of the Indian capitalists concerning the scope of their strength. They left the idea of laissez-faire but asked for a mixed economic system in which protection and cheap raw materials were provided for the private sector. In other words, they had the vision that

¹⁷⁸E.M.S. Namboodiripad, *Economics and Politics of India's Socialist Pattern* (New Delhi: People's Publishing House, 1966), p.79-80.

¹⁷⁹Babulal Fadia, *Pressure Groups in Indian Politics* (New Delhi: Radiant Publishers, 1980), p.104; B.K. Srivastava, *Pressure Politics in India* (Bhopal: Progress Publishers, 1979), p.111; Badri Narayan Singh, *Role of G.D. Birla in Indian National Movement* (New Delhi: Anupam Publications, 1991), p.160-1; Paresh Chattopadhyay “India's Capitalist Industrialization” quoted by Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World* (Albany: State University of New York Press, 1992), p.117-8; Achin Vanaik, *The Painful Transition: Bourgeoisie Democracy in India* (London: Verso, 1990), p.18-9.

¹⁸⁰*Journal of Indian Constituent Assembly Records*, Motion on Industrial Policy of India, 7 April 1948, p. 3406, 3413.

under such a scheme the capital accumulation process would be accelerated to a great extent. The pragmatic socialists, on the other hand, supported the view that Indian state was in its infancy and did not have the “luxury” to discard the capitalists at any time it desired since it was not stronger than the capitalists.¹⁸¹

In that respect, as the main proponent of the mixed economy PM Nehru’s views are worth examining. In contrast to the 1930s, when Nehru refused a middle path between socialism and capitalism, in the late 1940s he supported the mixed economy as a system that could best serve economic growth and social justice. He defined mixed economy as a transitory stage to socialism during which the Indian society could be reorganized on more egalitarian basis and be prepared for the socialistic system.¹⁸²

Nehru envisioned a mixed economic system in which the public sector controlled the “commanding heights of economy”, mainly the basic and heavy industries that made a nation an industrialized one in the real sense. The public sector had to expand and dominate all vital fields in the economic system while the private sector had a complementary role. In the Indian context the expanding public sector was related to and justified by the so-called *Nehru socialism*. Nehru was a believer in socialism but he had his own interpretation which was called as Nehru socialism. For Nehru, socialism meant social ownership and control of the means of production, and state intervention through planning and equality. This interpretation

¹⁸¹ *Journal of Indian Constituent Assembly Records*, Motion on Industrial Policy of India, 7 April 1948, p.3406, 3413; see Baldev Raj Nayar’s *India’s Mixed Economy: The Role of Ideology and Interest in its Development*; Chattopadhyay, “India’s Capitalist Industrialization: An Introductory Outline” quoted by Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.145.

¹⁸² R P Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change* (Delhi: Mittal Publications, 1988), p.163-4.

of socialism was, however, not a fixed, rigid or doctrinaire. Instead it was evolutionary and adaptable in each society and at every stage of development.¹⁸³

Nehru believed that the mixed economy offered opportunities to attain this socialistic order. When the balance between the public and private sector was changing in favor of the first, then any state's transition to socialism was a matter of a short time.¹⁸⁴ Yet in this scheme, he underlined that expansion of the public sector should not be at the expense of the individual. In his socialistic ideal, the end stage was the fullest development of the individual, the "enlightened self", not the state. He opposed to the development of the state at the expense of the individual, as this resulted in "regimentation under a bureaucratic state".¹⁸⁵

ISI was the last pillar of the adopted development policy of India. The GOI adopted this in 1951 when the policy was highly favorable and adopted in many LDCs. In the initial years of the Republic, like other LDCs which suffered from low capital accumulation, the GOI faced the question of saving as well as increasing the amount of foreign exchange reserves of the country. It regarded import substitution and export promotion as possible policies, but the first had the priority. This was mainly due to the prevailing export pessimism in India. Among the policymakers no one had the belief that by the traditional agricultural products such as jute, tea, and cotton textiles India could attain a big push. Therefore, the focus shifted to foreign exchange saving instead of earning. Adopted by these considerations, in the scope of ISI high

¹⁸³Debdas Banerjee and Anjan Ghosh, "Indian Planning and Regional Disparity in Growth" in *Economy, Society and Polity: Essays in the Political Economy of Indian Planning*, ed., Amiya Kumar Bagchi (Calcutta: Oxford University Press, 1988), p.105; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.205.

¹⁸⁴Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.206.

¹⁸⁵Ibid.

priority was given to the domestic production of manufactured goods that consisted a high proportion within the total of Indian imports.¹⁸⁶

Following the determination of the main pillars of the development policy, Indian policymakers began to establish mechanisms to realize and institutionalize these pillars in the Indian economic system. The mixed economy idea was realized and institutionalized through industrial resolutions of 1948 and 1956, which clearly defined the division of labor between the public and private sectors and governed the industrialization policy of India from that time onwards. ISI, on the other hand, was practised through various policies such as tariff walls, quotas and some other regulatory policies. The planned development, on the other hand, found its expression in the Five Year Development Plans that commenced in 1951.

Examination of Five Year Development Plans reveals that the planned economic development of India did not have a linear path. While the Fourth Five Year Development Plan differed from the previous three by its individual-oriented approach, the first three plans, known also as Nehru Plans had fluctuations with respect to the locomotive sector of the economic development process. The First Five Year Development Plan (1951-56) was distinguished from the second and third by its emphasis on agriculture-led development as the existing circumstances necessitated. Increased difficulty in meeting the basic food needs of the population, aggravated financial burden of imported foodstuffs as well as increasing need of the industrial establishments for agricultural raw materials were the main factors that led to the adoption of this agriculture-led strategy. While agriculture received the highest share in allocations, the industrial objectives of the Plan was moderate, such as full utilization of the

¹⁸⁶A.M. Khusro, "Development in the Indian Economy Since Independence" in *The Indian Economy and Its Performance Since Independence*, eds., R.A. Choudhury, Shama Gamkhar and Aurobindo Ghose (Delhi: Oxford University Press, 1990), p. 88-9; Chattopadhyay, "India's Capitalist Industrialization: An Introductory Outline" quoted by Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.153.

existing industrial capacity in producer and consumer goods, expansion of capacity in capital goods industries as well as completion of on-going projects.¹⁸⁷

1956 was the milestone in Indian development planning. It was in this year that the Indian policymakers adopted the so-called Mahalanobis model. The adoption of this model, which was in fact the reorientation of the development strategy for the large-scale industrialization with special reliance on the heavy and capital industries, as soon as the First 5 Year Development Plan was completed, was not coincidental. Attainment of the objectives of increase in foodcrops and considerable improvement in agriculture led to an overoptimism and overconfidence among the Indian policymakers. Regarding these achievements as permanent, they concluded that time was ripe for the reorientation of the development strategy to attain their long-dreamed national objectives. In addition to this, the widespread underemployment and unemployment was an important factor for this adoption. The policymakers who perceived agriculture's limited capacity that did not match with the surplus labor force concluded that this problem had to be met by speeding up the pace of development through more rapid industrialization.¹⁸⁸

Outcome of the so-called Mahalanobis growth model, named after Professor Mahalanobis was the Second Five Year Development Plan that represented the foundation of India's development strategy. The Plan relied on the creation of basic industries such as iron and steel, coal, fertilizers, heavy engineering and heavy electrical equipment and secondary

¹⁸⁷Confidential Communication from Embassy to the Department of State, 21 January 1953, RG 469, Records of the Agency for International Development and Predecessor Agency, Technical Cooperation Administration, Asian Development Service, India Branch Subject Files, 1951-54, Industrialization Policy-Natural Resources; Saugata Mukherji, "The Private Sector and Industrial Policy in India 1946-56" in *Economy, Society and Polity: Essays in the Political Economy of Indian Planning*, ed., Bagchi, p.176-7.

¹⁸⁸T.N. Rao, *Nehru and Planned Development* (New Delhi: Manas Publications, 1987), p.161; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.192; Stanley A. Kochanek, *The Congress Party of India: the Dynamics of One-Party Democracy* (Princeton: Princeton University Press, 1968), p.168-9.

industries, as well as decentralized cottage industries, to create jobs for India's huge unemployed and the underemployed population. Yet, as the model took the Soviet experience as its model its major thrust was basic industries. Aiming to attain a Nehruvian version socialistic society, Mahalanobis pleaded for enlarging the public sector at the expense of private enterprise, particularly with respect to basic industries. In addition to basic industries, the model called for the state's entering into various activities such as banking, insurance, foreign trade or internal trade in selected commodities by the rationale of strengthening the public sector vis-à-vis the private.¹⁸⁹

The same basic strategy continued in the Third Five Year Plan (1961-65) led by rapid industrialization with special emphasis on capital and producer goods industries. While priorities were apparently the same with the Second Plan, funds for the Plan were increased. As the locomotive sector of the strategy, industry, particularly basic industries, received considerably high proportion of allocations. The role of the public sector was increased even further in the Third Plan, both practically and ideologically. Yet, as an unexpected phenomenon, the private sector was expanded more than envisioned in the Plan.¹⁹⁰ The share of the allocations according to sectors in the Plans during Nehru's Prime Ministry was as follows:

¹⁸⁹Nripen Bandyopadhyaya, "The Story of Land Reforms in Indian Planning" in Bagchi, ed., *Economy, Society and Polity: Essays in the Political Economy of Indian Planning*, p.11; Vijay G. Kulkarni, "The Growth of Indian Industries, 1951-65" in Ashok V. Bhuleshkar, ed., *Indian Economic Thought and Development*, Bombay: Popular Prakashan, 1969, p.260; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.113-4; M.L. Dantwala, "Strategy of Agricultural Development Since Independence" in M.L. Dantwala, ed. *Indian Agricultural Development Since Independence*, New Delhi: Oxford Publishing Ltd., 1991, p.2; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.195-6; see Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*.

¹⁹⁰Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.174; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.197-8.

Table IV: Composition of aggregate investment 1950-51 to 1965-66 (Rs. in billion at current prices) ¹⁹¹

	First Plan		Second Plan		Third Plan	
	Rs.	%	Rs.	%	Rs.	%
Agriculture	9.1	27	12.6	19	21.2	18
Industry& minerals	4.4	12	18.1	27	29.9	25
Power	2.7	8	4.8	7	12.9	11
Transportation	5.9	18	14.1	21	23.5	20
Others	11.5	35	17.9	26	32.0	26
Total	33.6	100	67.5	100	119.5	100

Following Nehru's death, India entered a period of plan holiday for three years lasting from 1966 to 1969 due to the increased foreign exchange shortage and economic crisis. In the midst of successive droughts and foodgrain shortages, emphasis of the annual plans was on agriculture and particularly on minor irrigation projects. Following these three years, the Fourth 5 Year Plan (1969-1974), as the First 5 Year Plan prepared after Nehru's death, departed from the previous five year development plans with respect to target group and locomotive sector.

The first three plans were distinguished by their community-orientation instead of individuals and their objective was implementation of programs which could serve the well being of the community. The land reform policies, cooperative farming, community development programs, major irrigation schemes were all designed to serve this end. But the fourth Plan shifted from these considerations and concentrated on the individual. The adopted HYV

¹⁹¹Rao, *Nehru and Planned Development*, p.61.

technologies, implemented tubewell sort irrigation schemes and redefinition of the cooperatives as credit units indicated this shift. The Fourth 5 Year Plan was designed by the trickle down principle with the assumption that the advance of few at first would lead to the advance of the others in the process.

The second departure point was with respect to the locomotive sector. Intensified problems with respect to agricultural development led Nehru's successor Shastri to change the priorities of the development strategy. Referring to the high probability of material wellbeing of the rural population with the agricultural development, PM Shastri in his short term in the office defined agriculture as the high priority sector. An immediate impact of this policy change was a considerable increase in the allocations earmarked to agriculture. This was a shift from the public-oriented to the private-oriented development¹⁹², at least on paper.

By the sudden death of PM Shastri, Nehru's daughter Indira Gandhi was elected as the PM. By her ascension to power, a shift from Shastri's development strategy was expected since she severely criticized his predecessor's attempts as "erosion" of her father's policies.¹⁹³

These expectations were not realized, as Gandhi did not have too many options to return to her father's policy. After a three-year-plan holiday due to acute food shortage, inflation, agitation by communists and the Indo-Pakistani War, by accepting the necessity of agricultural modernization, agriculture was defined as the high priority sector in Indian economy in the Fourth 5 Year Plan (1969-71).¹⁹⁴

¹⁹²Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.255.

¹⁹³Quoted by Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.256.

¹⁹⁴Sun Peijun, "Agricultural Development in China and India: Experiences and Problems" in *Economic Development of India and China: A Comparative Study*, Indian Council of Social Science Research Lancer International in Association with Indian Council of Social Science Research, 1988, p.45-6; Dalip S. Swamy, *The*

Parallel to the redefinition of priorities in Indian economy, proportion of the allocations for sectors was arranged accordingly. In comparison to the Third Plan in which foreign exchange component for agriculture was only Rupees 191 crores, this amount was raised to Rs 1114 crores in the Fourth Plan of 1969-74. In the redefinition of priorities, the objective for the industrial sector was the full utilization of capacity in large-scale industry that had been created during the 1960s. In the Plan the correlation between this objective and development in agriculture was pointed out by referring to the undercapacity of industry due to low agricultural productivity.¹⁹⁵

a. Agricultural Development Policies of India in 1947-73

As a backward country India had an agriculture-based economy. The basic feature of agriculture by the time of Independence was low and uneven productivity. Agricultural yields in India were among the lowest in the world. The 250 million people involved in agriculture were able to produce only 50 million tons of cereals and pulses for a population of 350 million. Low and uneven productivity indicated the subsistence nature of agricultural activity for the majority of rural Indians. Excessive fragmentation and noneconomic holdings, absentee landlordism, poor methods of cultivation and tillage, and dependency on uncontrollable factors, mainly rainfall and weak human capital were the main reasons for the low and uneven productivity.¹⁹⁶

Political Economy of Industrialization: From Self-Reliance to Globalization (New Delhi: Sage Publications, 1994), p.78.

¹⁹⁵Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.77; P.V.S. Mahajan, *Indian Economy and Regional Development* (New Delhi: Deep and Deep Publications, 1982), p.32-3; N.L. Madan, *Congress Party and Social Change* (New Delhi: B.R. Publishing Corporation, 1984), p. 24-5.

¹⁹⁶Confidential Security Information FY 1954 Program of USA: India, RG 469, Records of the Agency for International Development and Predecessor Agencies, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-4; Air Pouch from Howard Donovan, Counselor of American Embassy in India to Department of State, 16 February, 1950, RG 59, Confidential U.S. State Department Central Files, Reel 27 Of 100, University Publications of America, Maryland; Restricted Country Study on India by Interdepartmental Advisory Council on Technical Cooperation, June 1951, RG 469, Records

The Indian policymakers regarded self-sufficiency in agriculture crucial due to its being the major activity for the majority of the population, being the raw material supplier for industry, and rural areas' being a market for the industrial goods. The assumption was that by attaining self-sufficiency in agriculture, first the majority of the Indian population would be improved which meant an increase in the demand for industrial goods. While this assured an expanding domestic market for the industrial sector, it also served the end of raw material shortage, which was a crucial, yet not the sole determinant for working in full capacity in the industrial sector. According to this assumption, as a corresponding development, the industrial sector by its working in full capacity as well as expanded domestic market would begin to absorb surplus labor force and eliminate unemployment and underemployment in the process.¹⁹⁷ The agricultural development policies of India were developed accordingly.

The agricultural development policy to attain self-sufficiency had three pillars, namely cooperative farming, land reforms and community development. Lasting until the mid-1960s this agricultural strategy aimed at structural changes in rural India. Though some commented that this strategy was adopted under Gandhian teachings,¹⁹⁸ the real dynamic that led to the adoption of this strategy was the highly mobilized mass tired of exploitation by semi-feudal remnants in agricultural production relations and had great expectations from the national leaders who depicted a "promised land" by Independence. Besides, the Indian policymakers

of the US Foreign Assistance of Agencies, Far East Program Division, South Asia Country Subject Files, 1950-2, India: Agriculture and Commodities; Mahajan, *Indian Economy and Regional Development*, p.15; Lecture of Sri Rao on Community Projects, RG 59, Confidential US State Department Central Files, India: Indian Affairs, 1950-54, NARA, Microfilm, Reel 25 of 50; Ranjit Sau, *India's Economic Development: Aspects of Class Relations* (Delhi: Orient Longman Limited, 1981), p.8; N. Agrawal and Kundan Lal, *Rural Economy of India: Problems, Progress and Prospects* (New Delhi: Vikas Publishing House, 1990), p. 66-7; Vasant Sukhatme, "Assistance to India" in *Aid and Development*, eds., Krueger, Michalopoulos, Ruttan, p.218.

¹⁹⁷Dispatch from American Embassy in India to Department of State, 23 May 1950, RG 59, Decimal Files, India: Internal Affairs, 1950-54, NARA, Microfilm, Reel 51 of 100; P R Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India* (New Delhi: Sage Publications, 1986), p.47.

¹⁹⁸Sau, *India's Economic Development: Aspects of Class Relations*, p.8; G.S. Bhalla, "Agrarian Transformation in India: The Interaction Between Tradition and Modernity" in *Economic Problems of Modern India*, ed., G.R. Madan (New Delhi: Allied Publishers Limited, 1995), p.28; B.S. Khanna, *Rural Development in South Asia: India* (New Delhi: Deep and Deep Publications, 1991), p.67.

believed that, more than anything else, the most important cause of low productivity in agriculture was the existence of exploitative structures which were inherited from the British rule. A Committee set up under the chairmanship of Nehru in 1947 concluded that “agricultural land should be held only for use and as a source of employment, absentee and non-cultivating landowners should not use land as a source of exploitation, ceilings on land holdings were necessary and cooperatives should be developed in villages.”¹⁹⁹ Therefore, the Indian policymakers regarded any change that served the transformation of the semi-feudal structures into economically viable capitalist units as an obligation.²⁰⁰

The first component of the adopted agricultural policy in the 1950s was cooperative farming. The assumption beneath this policy was that by combining the small plots the small producers could combine all the benefits of large-scale productive employment in agriculture and at the same time minimize the disadvantages and handicaps of a small farmer with respect to access to credit and non-labor inputs as well as marketing of products. Besides, it was assumed that the cooperative farming would lead to an appropriate environment for mechanized agriculture. The last point aimed to be reached by cooperative farming was to transform villages to economically viable units and a development of capitalist relations in rural India.²⁰¹

In the process, however, the idea of cooperative farming vanished. The main policy lines for the cooperative farming were departed from during the Fourth 5 Year Plan. It was during this

¹⁹⁹Madan, *Congress Party and Social Change*, p.19.

²⁰⁰Secret Country Study on India by the Working Group on NEA Economic Programs, October 1950, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Far East Program Division, South Asia Country Subject Files, 1950-52; Letter from Douglas Ensminger, Ford Foundation's Representative for India to Paul Hoffman, 21 April 1953, Papers of Paul G. Hoffman, Subject Files.

²⁰¹Memo from American Embassy in India to Department of State, 23 March 1950, RG 59, Decimal Files, India: Internal Affairs, 1950-54, NARA, Microfilm, Reel 51 of 100; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.112; Sau, *India's Economic Development: Aspects of Class Relations*, p.8; Rao, *Nehru and Planned Development*, p.40.

era that all progressive aspects of cooperative framing were abandoned. Instead the Plan regarded the cooperative community as credit supply sources. This was justified by the intensified agricultural activities that necessitated various expensive inputs such as fertilizers, seeds and pesticides.²⁰²

Land reform was the second component of the agricultural development policy. It was, in fact, the most crucial pillar, the backbone of the initiative for structural changes in rural India on which the success of the overall agricultural development relied. The land reform initiatives of the GOI had various components such as abolition of intermediaries, tenancy reform, ceiling on agricultural holdings and distribution of surplus land and consolidation of land holdings.

Before examining these components separately, a brief analysis of the prevailing external and domestic conjuncture that made the land reform an imperative act is necessary. The most important external fact of the era was the so-called Asian social revolution. This was a trend indicating the rising expectations of the Asian people the majority of whom lived in villages. The Asian people felt that something “had to, could and would be done about their lot.” The successful mass revolutions of the recent past such as Russian October Revolution of 1917 and Chinese Peasant Revolution also fostered the feeling that unless the existing system made a move, as people, they had the power to change the things. This belief lied at the core of radicalization of the Asian masses and it alarmed many, including the USA. In the case of Indian peasants their radicalization revealed at various peasant movements in pre-Independence era for the reduction of rents and relief of indebtedness.²⁰³

²⁰²Second Five Year Plan; Fourth 5 Year Plan.

²⁰³Confidential Memorandum by Harlan Cleveland, entitled as “The Problem Before Us in Asia”, 16 March 1951, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Assistant Administrator for Program Deputy Assistant Administrator, Country Files of Harlan Cleveland, Deputy Assistant Administrator, 1949-53,

What made the Indian policymakers cautious was the undivided Communist Party that had adopted an agrarian thesis in 1948. The cornerstone of this agrarian thesis was 'land to the tiller' which meant, on the one hand, to promote equity for the masses, and on the other, economic productivity for national development. The Communist Party of India (CPI) supported a radical way to free the agrarian order from economic exploitation and social oppression. In this, the CPI stood against not only feudal features in rural India but also capitalist development. Various peasant revolts in pre-Independence era such as the Telengana struggle in Andhra Pradesh and the Tebhaga movement in Bengal were examples of the struggles launched by the Communists to achieve 'land to the tiller' in a radical way. All these gave an idea to the Indian policymakers about the prevailing tensions in rural areas, at least in some parts.²⁰⁴

The Congress Party counteracted for this strategy of CPI by also adopting 'land to tiller' principle in the framework of land reform issue. Land reform was adopted not due to ideological reasons, but for political and economic considerations. The Indian policymakers were anxious about the possible developments in case that they failed to meet the expectations of the mass, which waited for the "promised land". The potential threat was defined as the end of political stability. These new policy makers were aware that they had also mobilized the peasantry in their anti-British struggle by promising a just social and economic order. After independence this sort of rhetoric continued, as they needed the votes of the peasantry. In these appeals their main reference was the prevailing injustice in land ownership. By the early

Far East; Acharya Narendra Deva, "The Peasant in Indian Revolution" in *Evolution of Socialist Policy in India, Proceedings of the Socialist International Council Meeting*, eds., Mohan, Sharma, Prasad and Sunijlam, p.99.

²⁰⁴P.C. Joshi, "Agricultural Transition in India: The Interplay of Technology and Ideology in Social Transformation" in R C Dutt, *Nation Building in India: Socio-Economic Factors* (New Delhi: Lancer International, 1987), p.70-1.

1950s, 74.7 % of the landowners owned only 16.3% of the total land.²⁰⁵ The economic considerations beneath land reform issue, on the other hand, was related to the prevailing low productivity due to huge discrepancies in land ownership and absentee landlordism. These prevailing features reduced land productivity, immobilized the domestic market for industrial goods and also prevented the generation of new productive forces.²⁰⁶

Shaped by these developments and considerations, the GOI began to enforce legislation regarding land reforms. First of these was the abolition of intermediaries. The main objective of this act was defined as bringing ‘cultivators’ into direct relationship with the state through eliminating ‘intermediary’ interests.

At the time of independence a dual structure prevailed in rural India. Along with semi-feudal structures, a degree of capitalist structure also existed. But since the predominant structure was a semi-feudal one that hindered production and earmarking of resources to productive ends, the so-called land problem was in fact a problem that was derived from the semi-feudal structure. India inherited the land problem from the British colonial era. In general lines, the land tenure introduced by the British was the ownership of the land by a small group that did not actually cultivate the land but exploited the actual tillers of the soil.²⁰⁷

²⁰⁵ A.K. Lal, *Elite and Development* (New Delhi: Concept Publishing Company, 1979), p.89; R.K. Punia and M.L. Sharma, “Problems in Implementation of Land Reforms in Harayana” in *Land Reforms in India: Achievements, Problems and Prospects*, eds., M.L. Sharma and R.K. Punia (New Delhi: Ajanta Publications, 1989), p.327-8.

²⁰⁶ Joshi, “Agricultural Transition in India: The Interplay of Technology and Ideology in Social Transformation”, p.78; Rao, *Nehru and Planned Development*, p.35; Sau, *India’s Economic Development: Aspects of Class Relations*, p.9; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.113; Punia and Sharma, “Problems in Implementation of Land Reforms in Harayana”, p.327-8.

²⁰⁷ Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.110; Gail Owdet, “Capitalist Agriculture and Rural Classes in India” in *Class, State and Development in India*, ed., Berch Berberoglu (New Delhi: Sage Publications, 1992), p.86; Mahajan, *Indian Economy and Regional Development*, p.15.

While the tillers were comprised of the tenants and agricultural laborers, there were various types of intermediaries in India. Different laws enacted by the colonial rule governed these different types of intermediaries. In the *zamindari* areas, the absentee landlords known as zamindar owned a sizeable part of land. As hereditary land tax collectors, zamindars employed agents to collect periodical dues from the cultivators. In states where zamindari system prevailed, the State had no direct contact with the tillers of the land. As far as the zamindar paid the fixed revenue to the state, he was free to extract any amount from the actual cultivator. In the process various intermediaries developed between the zamindar and the actual cultivator that aggravated the misery of the peasants. These sub-intermediaries extorted rack-rents, which meant a great burden for the cultivator.²⁰⁸

Another type of intermediary was the *ryotwari*. In principle and in the initial stages of its practice, in ryotwari areas the State granted the rights of ownership to private landowners who paid land revenue directly to the state. As the State had a direct relationship with the existing proprietor who paid his land revenue based on land survey and resettlement, the situation in the ryotwari system was better in comparison to the zamindar areas. As a consequence, in these owner-operated lands returns accrued to the decision-makers and the incentive for innovation was stronger. But by the lapse of time absentee landlordism developed in the ryotwari areas mainly due to the inability of the proprietor to pay his land revenue and his having to sell his proprietorship. Though there were bureaucrats and merchants among these absentee landlords, in most cases they were the petty landlords of that area. Another type of intermediary was the *mahalwari* systems in Punjab. This was nearly the same as the ryotwari system which shared the same deficiencies. In 1947, while the zamindari land revenue system

²⁰⁸Ibid.

covered 57 %, the ryotwari system covered 38 % and the mahalwari system 5 % of the country.²⁰⁹

Facing the increased discontent of the cultivators the Congress Party set up committees for the abolition of intermediaries who were sided with the British rule as their interests were guaranteed by the prevalence of the status quo.²¹⁰ However, this call for the abolition of intermediaries was not taken by consensus. Instead there were great differences in the opinions of leading figures of the national movement such as Nehru and Gandhi. While Nehru defined these intermediaries as spoiled children of British administration and “complete parasites” on the cultivators, relying on his notion of trusteeship Gandhi supported the view that the wealthy segments of the population would use their wealth for the good of all. He opposed abolition of intermediary sort of arrangements, which would upset the rural structure.²¹¹

Despite differences among the leading persona of the national movement due to the above-mentioned conjuncture there could not have been much resistance to this call. In the immediate aftermath of Independence, in November 1947 the related Committee on agricultural reform set down the principle that the land with all its mineral resources had to belong to and be regulated by the community in its own interests. It also recommended the elimination of all intermediary tenures, ceiling on personal ownership of land, elimination of all private moneylenders and traders as well as formation of the village credit and marketing

²⁰⁹Chandra Pal, “Legal Aspects of Land Reforms” in *Land Reforms in India: Achievements, Problems and Prospects*, eds., Sharma and Punia, p.309-10; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.111; R.K. Sharma, “Land Reforms in India-An Overview” in *Land Reforms in India: Achievements, Problems and Prospects*, eds., Sharma and Punia, p.217-8.

²¹⁰Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.202.

²¹¹Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.175; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.138; Srivastava, *Pressure Politics in India*, p.111; see also A.S. Kahlon, “Rural Poverty, Land Reforms and Employment” in *Economic Development Perspectives: Agriculture and Rural Development*, ed., Rinode Mohanty, Volume I (New Delhi: Commonwealth Publishers, 1991).

societies based on the compulsory membership of all cultivators. While the central government put the guiding principles in this policy, it was the responsibility of the state governments to enact the land reform legislation. By 1956 all states enacted the required legislation for the abolition of the intermediaries.²¹²

The second important component of the land reform policies was the tenancy reform. Owing to the predominant absentee landlordism, cultivation of agricultural land by non-owner cultivators on the basis of contract for the lease of the land was a very wide spread system of cultivation. The Tenancy Reform Act was an important component since it attempted to improve the conditions of the cultivators who were at the mercy of the absentee landlords without any security. Diagnosing these problems of the tenants, the central government endeavored to fix the rents and to provide some sort of a security for the cultivator for cultivating the land. In addition to this social objective, the central government also had some economic considerations such as ensuring an increase in agricultural productivity via providing an appropriate environment for continuous farming operations.²¹³

While the first facet of the tenancy reform acts was the fixation of rents, the other facet was related to the security of the tenants to prevent their arbitrary ejection from the rented lands. In the framework of the fixation of the rents the central government aimed at scaling down the rents to 1/4th or 1/5th of the produced crops. In the scope of the second principle, the central government asked for given permanent rights for the tenants subject to the landlords' right to resume a minimum holding for his personal cultivation within a limited time. Later this principle was rearranged by stating that all tenancies should be declared non-resumable and

²¹²Gilbert Etienne, *Rural Change in South Asia: India, Pakistan, Bangladesh* (New Delhi: Vikas Publishing House, 1995), p.42; Kahlon, "Rural Poverty, Land Reforms And Employment", p.178; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.176-8; Pal, "Legal Aspects of Land Reforms", p.310; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.112.

²¹³Pal, "Legal Aspects of Land Reforms", p.310-2.

permanent, with the exception certain circumstances determined by the legislation. What was aimed by this principle was conversion of the tenants into owners through paying moderate compensation to the landlords at the end of a certain cultivation period. Ultimate objective of this arrangement was explained as having land holdings that contributed to the country's economy through surplus production.²¹⁴

The Tenancy Reform Act, in fact paved the way to the other land reform policy, namely, ceilings on land holdings. The rationale behind ceilings on landownership was redistribution of the excess amount of land to cultivators and landless agricultural laborers. The ceiling on land holdings legislation was justified by referring to the prevailing unjust propertiorship, concentration of huge amounts of land in few hands at the expense of few, as well as, widespread underemployment and unemployment of labor force in agriculture. The ultimate objective of this program was defined as reduction of inequalities in ownership, in use of land and agricultural incomes.²¹⁵

Consolidation of holdings was the fourth component of the land reform initiatives. This fourth component of land reform initiative differed from the previous ones since, in contrast to the others, which were designed to challenge the powerful stance of vested interests, that were mainly the semi-feudal remnants in rural areas, the target group was the rural mass in this component. The ultimate objective of this legislation was to establish agricultural units which were economically viable as the exiting plots were fragmented due to the inheritance laws. Defining this fragmentation as one of the main structural deficiencies in agriculture that resulted in noneconomic land plots, various committees recommended the idea of

²¹⁴A Note on Progress of Land Reforms by Planning Commission, July 1954, RG 59, Decimal Files, India: Internal Affairs, 1950-54, NARA, Microfilm, Reel 48; see also Pal, "Legal Aspects of Land Reforms"; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*.

²¹⁵See *Journal of Lok Sabha Records* of the 50s; Kahlon, "Rural Poverty, Land Reforms and Employment", p.178; Pal, "Legal Aspects of Land Reforms", p.312; Punia and Sharma, "Problems in Implementation of Land Reforms in Harayana", p.330.

consolidation of small holdings and prevention of their further fragmentation in the immediate aftermath of Independence.²¹⁶

In addition to cooperative farming, the above summarized were the components of the second pillar of the agricultural development policy of India in the 1950s, namely land reform initiatives. The third pillar of this first stage of agricultural strategy was the Community Development Program. This was, in fact, the advanced version of the Grow More Food Campaign which commenced during WW2, particularly after the Bengal Famine of 1943. Though the Campaign had some achievements to meet the needs, it failed to attain the expectations. Appraisal of the process led the Indian policymakers to conclude that there had to be a comprehensive approach to deal with the problems of rural areas covering extension services, setting up or empowerment of institutions at rural level such as panchayats, multi-purpose cooperative societies, promotion of minor irrigation schemes and supply of better varieties of seeds and fertilizers to farmers. The outcome of this consideration was the Community Development Program.

The Community Development Program commenced on 2 October 1952, on Mahatma Gandhi's birthday, in the framework of the Indo-US Technical Assistance Program. For the beginning there were fifty-five community development projects. Each project covered about 300 villages, a cultivable area of about 150 thousand acres and an approximate population of 200 000 people. At the time of its start-up, the number of villages that these projects covered was 27,388 with a population of 16.4 million. The criterion of the selection of these villages in the initial stage was the availability of adequate irrigation schemes or assured rainfall to implement intensified agricultural activities. Later on this criterion was loosened parallel to

²¹⁶Rao, *Nehru and Planned Development*, p.34; M. S. Randhawa, *A History of Agriculture in India: 1947-1981* (New Delhi: Indian Council of Agriculture, 1980), p.26.

the expansion of the Program nationwide. By 1963, on paper the Community Development Program formally covered all the villages in the country.²¹⁷

The Community Development Program had broad objectives among which was assistance to each village in planning and carrying out an integrated household and village plan to increase agricultural production, improve existing village crafts and organize new ones, provide minimum essential health and educational services and improve housing and family living conditions. These objectives indicated the multi-purpose nature of the initiative that covered production, employment generating activities, communication, education, health and cooperative act as well as initiating a mentality change to become self-reliant people.²¹⁸ Shaped by these, the ultimate objective of the program was to bring about socio-economic and institutional transformation in rural areas comprehensively through the self-reliant and collective efforts of the rural people. This found its expression in the slogan of “movement for self-help where the State was supplier of required inputs such as credit and fertilizers.”²¹⁹

Regarding this program as a complementary of the cooperative farming where the peasants either gained or enhanced the capacity to work together, the policymakers expected to activate the dormant energy of the countryside through Community Development Program. The primary emphasis of the program was to alter people’s motivation and attitudes toward change and make them self-reliant. The idea of creation of self-reliant people with the ability to take initiative represented a total shift from the tradition-bound, economically

²¹⁷Unclassified Memo from American Ambassador Chester Bowles to Director Office of South Asia Affairs, Donald D. Kennedy, 4 February 1952, RG 59, Confidential US State Department Central Files, Decimal Files, Microfilm, Reel 28 of 100, University Publications of America, Maryland; Confidential Security Information FY 1954 Program of USA: India, RG 469, Records of the Agency for International Development and Predecessor Agencies, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-4; G.R. Madan and Tara Madan, *Village Development in India: A Sociological Approach* (New Delhi: Allied Publishers Private Limited, 1983), p.9; Randhawa, *A History of Agriculture in India: 1947-1981*, p.62.

²¹⁸Madan and Madan, *Village Development in India: A Sociological Approach*, p.10.

²¹⁹Randhawa, *A History of Agriculture in India: 1947-1981*, p.63; Khanna, *Rural Development in South Asia: India*, p.68-9.

unresponsive, unmotivated and inefficient user of the resources for their own benefit. With its human-centric approach this program was a crucial novelty, even “revolutionary” as Nehru pointed out, which aimed to change “the face of India”.²²⁰

In sum, the first stage of the agricultural strategy was shaped by the assumption that low productivity in agriculture was due to the exploitative nature of relations between the owner and tiller. As the latter was severely exploited by the owner, he did not have the chance to earmark resources for land improvement the inevitable outcome of which was low productivity. By this belief the Indian policymakers focused first on structural changes along with programs to lead to a change in the mentality of rural mass. Though there were some initiatives regarding the agricultural modernization, as the prevailing structure prevented their widespread application, the main concern was on the policies aiming at structural changes in rural India.

Commencing in the 1960s, however, the policymakers felt that they had to make a change in the focus of agricultural strategy as India was facing continuous droughts and severe famine. The rapid population growth that swallowed up any agricultural products aggravated the problem. In addition to these, stable production rate in industrial establishments necessitated high and non-fluctuating agricultural production levels. While agreeing on these factors, some scholars concluded that the shift was an obligation as Indian policymakers recognized the limits of policies in the scope of the first stage of agricultural development policy.²²¹ Others also pointed out the impact of external dynamics, namely the foreign donors. During debates

²²⁰Sukhatme, “Assistance to India” p.219-20; S.S. Chib, “Introduction” in *Rural Development in India: A Strategy for Socio-Economic Change*, eds., S. Ibbatnagar and S. S. Chib (New Delhi: Ess Publications, 1997), p.5-6; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.179.

²²¹Sau, *India's Economic Development: Aspects of Class Relations*, p.10-1.

for increased foreign aid, the donors, mainly the World Bank and the USA conditioned increase in allocations for agriculture for an increase in foreign aid.²²²

Another important factor that accelerated the shift for the adoption of the second stage of agricultural policy was the death of PM Nehru. As the outstanding supporter of rapid industrialization, in the eyes of many he was the arch-architect of the approach neglecting agriculture. By his death in 1964 those who shared this belief got the opportunity to press for their desire for a more agriculture-oriented development policy. Nehru's successor, Shastri proved to be such a man and his ascension to the position of PM indicated the abandoning of Nehru's cautious approach toward agricultural modernization. Unlike Nehru, Shastri was not fascinated by gigantic projects. In his first Cabinet meeting he said that he was a "small man" and believed in small projects with small expenditure to get quick results. Concluding that the fundamental problem was inadequate production, the policymakers initiated the new agricultural development policy, the central premise of which was that the Indian peasant was a rational economic being who had the capability of responding to incentives for the improvement of productivity.²²³

The new focus in the agricultural development policy was defined as modernization of agriculture through various techniques. The main difference between two stages was the latter's being production-oriented and aiming at self-reliance in foodgrains. The emphasis was on increase in yields through the use of modern inputs and improved methods of production in selected parts of the country. This stage commenced with schemes such as the Intensive Area Development Programs introduced during early sixties. This strategy was initially restricted to wheat in a few northwestern states and later it gradually spread to other crops and new areas.

²²²Ramesh K. Arora and P.C. Mathur, *Development Policy and Administration in India* (New Delhi: Associated Publishing House, 1986), p.70.

²²³Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.255.

The new strategy became successful as a consequence of large- scale investments in irrigation and in scientific research.²²⁴

The most distinguishing feature between the first and second stage was the latter's lack of societal concern. This new strategy suggested a shift from the community approach to the entrepreneurial approach. This indicated an indifference to the plight of the masses and prevailing injustices in rural areas. Instead, the main concern was immediate increase in the agricultural production at any expense, in fact, at the expense of the poor in the rural areas since these newly adopted technologies could only be profitable in large-scale agricultural enterprises.²²⁵

The first program developed in the framework of this new policy was the Intensive Agricultural District Program in the early 1960s. The Intensive Agricultural Area Program (IAAP) that was launched in 1964-65 followed this program. Though these indicated a shift from the first phase of the agricultural development policy, the watershed in this change was the High Yielding Varieties Program (HYVP), the so-called Green Revolution introduced in the mid-1960s.

Though yielding some encouraging outcomes, neither IADP nor IAAP were able to reduce India's dependency on foreign countries for foodgrain imports. By the successive droughts that shook India in the mid-1960s the shortage in the foodgrain supplies reached twenty eight

²²⁴Arora and Mathur, *Development Policy and Administration in India*, p.63; Bhalla, "Agrarian Transformation in India: The Interaction Between Tradition and Modernity", p.28-9; Myron Weiner, *The Indian Paradox* (New Delhi: Sage Publications,1989), p.22.

²²⁵Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p. 182; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.101.

million tons. In order to prevent famines, the GOI appealed to foreign countries, mainly to the USA for foodgrains.²²⁶

In the midst of these difficulties the American experts, along with a call for reorientation of overall investment priorities to agriculture, recommended the new high-yielding short-duration, short stem fertilizer responsive varieties of seeds (HYVs) of wheat and rice. These seeds proved their potential and became available for commercial cultivation.²²⁷

Regarding HYVs as a possible solution for India's chronic food deficiency, the GOI was responsive to this "seed revolution".²²⁸ In 1965 the Food Minister announced the new comprehensive program to deal with the acute food shortages. This pledged the Indian Government to a series of actions, which the American Embassy staff along with many Indian economists, experts from the World Bank, Rockefeller and Ford Foundation had been supporting. The program included HYVs, huge amounts of credit for the cultivators, expanded use of irrigation water and fertilizers. In order to enable the active participation of farmers and increase the attractiveness of the program, the government decided to increase the market price paid to the cultivators as a solution.²²⁹

The program commenced by pilot cultivation, and then expanded in areas appropriate for the cultivation of HYVs. Main criterion for appropriateness of land for the program was adequate irrigation potentials and relatively high production rate in recent past. There were also some limitations regarding the cultivators. As recently introduced technologies and program

²²⁶Randhawa, *A History of Agriculture in India: 1947-1981*, p.204-5.

²²⁷*Report on New Agricultural Strategy for India* (Bell Mission), 1965.

²²⁸S.K. Ray, *The North-South Economics: The Growth Divide of the World* (New Delhi: Prentice Hall of India, 1993), p.152.

²²⁹Chester Bowles, *Promises to Keep: My Years in Public Life, 1949-69* (Bombay: B.I. Publications, 1972), p.559.

required large amount of capital as well as large landholdings, small cultivators were excluded from the program.²³⁰ This was the irony of Shastri who defined himself as a moderate man dealing with practical things. He supported food incentives and high support prices on grounds that by these practical policies, which reached the common man one could minimize the unhappiness of the mass.²³¹ In contrast to his expectations, his policies regarding food or food prices did not really reach the common man.

While HYVs comprise one component of the so-called Green Revolution, the others were fertilizers and pesticides. Special attention was paid to fertilizers as their usage was defined as an indispensable part of the Green Revolution. In the extension services for the program, use of fertilizers was defined as one single factor capable of making a substantial contribution to production. Consistent with this definition, concerted efforts for their wide usage were launched including special credit schemes. Success of these efforts was revealed in the process. The use of fertilizers increased considerably by the lapse of time.²³²

In areas where the HYVs were practiced, agricultural mechanization also increased. Distinguished by its non-mechanized feature, the degree of agricultural mechanization was not high in Indian agriculture in the first decade of the Independence. High cost of agricultural machines that contradicted with pervasive poverty of the majority and inappropriateness of the size of the majority of landholdings for mechanized agriculture were the main reasons of low mechanization. While the number of tractors was about five thousand in 1946-7, this was only twenty thousand in 1956-7 and fifty thousand in 1960, the majority of which was used

²³⁰Agarwal and Lal, *Rural Economy of India: Problems, Progress and Prospects*, p.21; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.102; Ray, *The North-South Economics: The Growth Divide of the World*, p.152, 154; Randhawa, *A History of Agriculture in India: 1947-1981*, p.204-5, 207-8; Khanna, *Rural Development in South Asia: India*, p.75.

²³¹Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.255.

²³²Sau, *India's Economic Development: Aspects of Class Relations*, p.11; Randhawa, *A History of Agriculture in India: 1947-1981*, p.208, 212-3.

by public agencies. By the mid-60s demand for agricultural machinery increased parallel to the favorable circumstances.²³³

Appraisal of the mechanization of agriculture led to the conclusion that adoption of the new agricultural development policy was an important turning point in its widespread application. Though there was a consistent increase in the number of tractors and various types of machines in the late 1970s, still most parts of the Indian agriculture was untouched by agricultural mechanization. This outcome, in fact, confirmed Nehru's objections to those who attempted to compare the Indian case with other countries, mainly with that of advanced countries. He stated that each country had its own dynamics that could not be supplanted in another soil.

One of the components of the agricultural policy was the agricultural credit. For the nation-builders of India efficient expansion of the credit services to rural areas was a requirement of the social justice principle as well as a precondition of high agricultural productivity. The policymakers raised this issue very frequently by referring to the huge indebtedness of the cultivators to moneylenders. In the absence of credit organizations in rural India, moneylenders were the main source of credit for the peasants, who charged excessive interests for the money they extended. As a result, exploitation of the small and marginal farmers and the landless agricultural workers and artisans was widely prevalent in the countryside.²³⁴

²³³Confidential Security Information FY 1954 Program of USA: India, RG 469, Records of the Agency for International Development and Predecessor Agencies, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-4; Restricted Country Study on India by Interdepartmental Advisory Council on Technical Cooperation, June 1951, RG 469, Records of the US Foreign Assistance of Agencies, Far East Program Division, South Asia Country Subject Files, 1950-2, India: Agriculture and Commodities; Randhawa, *A History of Agriculture in India: 1947-1981*, p.317.

²³⁴See *Journal of Lok Sabha Records* in the 50s and the 60s; Khanna, *Rural Development in South Asia: India*, p.32-4; *Restricted Report on the Agrarian Problem of India*, 8 March 1951, Department of State, Office of Intelligence Research, RG 469, Records of US Foreign Assistance Agencies, 1948-61, Far East Division South

In addition to this, defining rational usage of credit as a part of the mentality change in the tradition-bound peasants, the GOI paid particular attention to the issue. In addition to this social justice aspect, the policymakers concluded that lack of financial resources was a factor that impeded the cultivators' adoption of new technologies or undertaking any investment to improve the land. Supply of credit to rural households was defined as an important contribution to the cooperative farming since by these credits the farmers could get the inputs required for their activities. However, in contrast to this rhetoric, the majority of the credit schemes developed to this end was in most cases aiming at big landholders instead of the small and marginal households. Parallel to the change in the agricultural development strategy, these credit schemes increasingly became capitalist farmer-oriented. Like in the past, these farmers continued to be the main beneficiaries with more favorable terms.²³⁵

In conclusion, after Independence, India adopted two agricultural development policies. While the first lasted until the early 1960s and was shaped by PM Nehru, the latter commenced after this date under the influence of the western experts. The first strategy was distinguished by its challenge for structural change. Indian policymakers believed that the existing semi-feudal structure in rural India impeded agricultural development. As the semi-feudal remnants were indifferent to investments for agricultural development and cultivators did not have the means for any initiative to this end, the existing structure was regarded as a great challenge for the country's objectives of self-reliance in every field. Policymakers

Asia Country Subject Files, 1950-52, India: Agriculture and Agricultural Commodities; Randhawa, *A History of Agriculture in India: 1947-1981*, p.218.

²³⁵See *Journal of Lok Sabha Records* in the 50s and the 60s; Note on Rural Credit Study by Chester Davis of Ford Foundation from American Embassy in India to Department of State, 7 January 1954, RG 59, Confidential US State Department Central Files, India: Internal Affairs, 1950-4, Microfilm, Reel 52 of 100, University Publications of America, Maryland; *Restricted Report on the Agrarian Problem of India*, 8 March 1951, Department of State, Office of Intelligence Research, RG 469, Records of US Foreign Assistance Agencies, 1948-61, Far East Division South Asia Country Subject Files, 1950-52, India: Agriculture and Agricultural Commodities; Randhawa, *A History of Agriculture in India: 1947-1981*, p.217-20; Khanna, *Rural Development in South Asia: India*, p.32-4, 36; Renu Tyagi, "Impact of Regional Rural Banks on Rural Economy" in *Dynamics of Rural Development in India*, ed., Keshav Dev Gaur (New Delhi: Mittal Publications, 1992), p.129.

concluded that by destroying these semi-feudal structures and establishing settings for capitalist relations India could attain her objective in the agricultural field.

However, as the challenge of this policy was structural change, it did not offer quick returns. In the face of increasing difficulties and India's chronic foodgrain deficiency, the policymakers adopted a new policy aiming individual initiative and increase in productivity through intensive agricultural techniques. Distinguished by its product and region wise approach, the new policy excluded the majority and focused on the minority. Without paying attention to its impact on rural structure, policymakers implemented the strategy by the objective of reducing India's dependency on foreign countries.

b. Industrial Development Policies of India in 1947-73

By the time of Independence, except Japan, India was the most industrialized non-Soviet nation in Asia. In addition to handicrafts, by 1950 India's most important industries were primarily consumer goods. India supplied virtually all its own needs of cloth, footwear, sugar, matches and most of its consumption requirements of iron and steel, cement and paper. Commencing in the late 1940s, it began to build ships, aircraft, locomotives, diesel engines, electrical equipment, automotive parts, machine tools and chemicals. While cotton textile manufacturing was India's largest industry, the jute industry was the largest industrial export product. It supplied more than 90 % of the world's exports of jute manufactures. The small-scale but important industrial establishments were sugar, gur, paper and match.²³⁶

²³⁶Secret Country Study on India by the Working Group on NEA Economic Programs, October 1950, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Far East Program Division, South Asia Country Subject Files, 1950-52; Restricted Country Study on India by Interdepartmental Advisory Council on Technical Cooperation, June 1951, RG 469, Records of the US Foreign Assistance of Agencies, Far East Program Division, South Asia Country Subject Files, 1950-2, India: Agriculture and Commodities.

Though impressive in a LDC's context, the prevailing industrial structure, however, did not serve the country's self-reliance in industrial production. By the time of Independence, the Indian industry had considerable progress in simple consumer goods and some progress in the direction of consumer durables. But it was deficient in capital goods owing to the policies of the British administration. Efforts of Indian industrialists to expand their activities were particularly constrained by the absence of machine manufacturing industries. Besides, the Indian industrial capital which had its political freedom after Independence was highly dependent on the advanced countries technologically. What aggravated the situation was the recession in industrial production mainly due to the shortage of industrial raw materials.²³⁷

These were the deficiencies diagnosed by the leading Indian policymakers whose obsession with industrialization was well known. Commencing during the national movement of the country, Indian leaders believed that modernization of India was key for her "salvation" and the envisioned modernization could only be through industrialization. They concluded that India would either industrialize or perish.²³⁸

The industrialization strategy of 1956 that aimed self-reliance through heavy and basic industrialization was the concrete formula of the long dreamed vision of many leading national leaders. They believed that only through this sort of industrialization could India have the chance to attain her self-sufficiency and economic viability, while minimizing the social tensions that had emerged due to high proportion of unemployment. These leading figures also had the expectation that through this strategy India could be a model for a

²³⁷Manuscript of Ambassador Chester Bowles' Article on India, 22 October 1952, RG 59, Confidential US State Department Central Files, India: Internal Affairs, 1950-4, Microfilm, Reel 30 of 100, University Publications of America, Maryland; Jagabandhu Acharya, *Nehru Socialism: Colonialism, Capitalism and Ideology in the Making of State Policy* (Delhi: Indian Publishers Distributors, 1993), p.183; Mukherji, "The Private Sector and Industrial Policy in India 1946-56" p.180; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.132-3; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.48.

²³⁸Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.20.

genuine “Third World” development, an alternative to socialist and capitalist systems. Difference of the Third World development was explained as its avoidance of the evils of capitalist exploitation and the hard labor and bitter shortages of socialist autarchy.²³⁹

Nehru was one of the main proponents of heavy industry. He believed that unless a country was highly industrialized and developed its power resources to the utmost it could not be regarded as independent in the world order. He defined these two as preconditions not only for independence in international arena but also as means to attain high living standards and eradication of poverty domestically. He claimed that at her present position India, as an industrially backward country was a factor that upset the world equilibrium and encouraged the aggressive tendencies of more developed countries. Even if it retained its political independence, this would be a nominal one without any claim of economic independence. Therefore, in order to avoid these as much as possible, Indian economy had to rely on latest technological developments and grow to be distinguished by large-scale industrial establishments as well as “big machines” regardless of the possible negative implications.²⁴⁰

Though this industrialization policy was the adoption of the “big push” strategy for industrialization, many western economists claimed that this strategy bore hardly any western notions. This denial of India’s adoption of a western-type development strategy could be interpreted with respect to India’s neglect of the recommendations of the center countries regarding the development policy. In the initial years of the Republic the center countries

²³⁹Confidential Memo on Industrialization Program, 21 January 1953, RG 469, Records of the Agency for International Development and Predecessor Agency, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-54; Khusro, “Development in the Indian Economy Since Independence”, p.92; Payer, *The Debt Trap: The IMF and the Third World*, p.xii; Isher Judge Ahluwalia, “Contribution of Planning to Indian Industrialization” in *The State, Development Planning and Liberalization in India*, ed., Terence J. Byres (Delhi: Oxford University Press, 1997), p.257-8; Isher Judge Ahluwalia, “The Role of Policy in Industrial Development” in *The Development Process of the Indian Economy*, eds., P.R. Brahmananda and V.R. Panchamukhi (New Delhi: Himalaya Publishing House, 1987), p.388.

²⁴⁰Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.154.

recommended Indian policymakers to concentrate on the development of agriculture and, if necessary, on certain light industries. They claimed that such a strategy was consistent with the economic structure of India which was agricultural. Referring to the harmony in international division of labor, the center countries concluded that as India was an agricultural country it had to remain as agricultural and the developed countries that attained high level of industrialization had to remain as industrial countries. This idea was based on the theory of comparative advantage.²⁴¹

Indian policymakers rebuffed these recommendations on grounds that they relied on static comparative advantage which was adverse to the dynamism of life. Instead they argued for a rapid industrialization based on dynamic comparative advantage. In this they regarded the public sector as the engine for growth. Despite the determination of the Indian policymakers on heavy industrialization, however, the American diplomats in 50s continued to insist that India's "desperate need" was not heavy industries but coir processing, art goods of all kinds, textiles, pottery, glass-making toys and households goods including furniture, utensils etc.²⁴²

PM Nehru's leading role in the adoption of heavy industrialization strategy met domestic criticisms also. In their criticisms, Gandhians accused Nehru on the grounds that he betrayed the vision of the spiritual leader of the country. Nehru's disagreement with the Gandhian vision was not unknown. His reasoning was that the vision that based the Indian economy on

²⁴¹Confidential Memo on Industrialization Program, 21 January 1953, RG 469, Records of the Agency for International Development and Predecessor Agency, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-54; Khusro, "Development in the Indian Economy Since Independence", p.92.

²⁴²Confidential Memo on Industrialization Program, 21 January 1953, RG 469, Records of the Agency for International Development and Predecessor Agency, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-54; Batuk Desai, "Contribution of Soviet Cooperation to India's Economic Development" in *Indo-Soviet Cooperation and India's Economic Development*, ed., R.K. Sharma (New Delhi: Allied Publishers, 1984), p.58; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.48; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.248.

the small-scale cottage industries, namely *Khadi* could not be taken into consideration seriously as this vision did not offer a solution to the widespread unemployment and poverty. Instead it intensified individualism in production and was a throw-back to the pre-industrial age.²⁴³

The industrialization policy was to be implemented according to the adopted development strategy that relied on planning, ISI and mixed economy. Consistent with the ISI and awareness of noncompetitive nature of the Indian industrial structure the industrial drive of the country was for import-substituting industries rather than export-promotion.²⁴⁴

For the implementation of this strategy the public sector was defined as the locomotive to guide the process of industrial development, as the private sector did not have the financial capacity to undertake such a task. In this scheme, the private sector endowed a complementary role. In order to enable the proper functioning of the system the division of labor between the public and private sectors was defined through industrial resolutions of 1948 and 1956. Parallel to these resolutions some other mechanisms, such as licensing, were put into effect to prevent the possible evils that could emerge from the system. In the Indian context these possible evils were defined as concentration of resources and economic power in few hands, unbalanced regional dispersal of industrial establishments and inhibition of development of small-scale industries.²⁴⁵ Industrial licensing was developed by the belief that it was the best mechanism to prevent the emergence of these evils.

²⁴³See *Journal of Lok Sabha Records* of the 50s, Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.109.

²⁴⁴*Journal of Lok Sabha Records*, Debates of Motions Re: Third 5 Year Plan, 25 August 1962, p.4023; Confidential Memo on Industrialization Program, 21 January 1953, RG 469, Records of the Agency for International Development and Predecessor Agency, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-54; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.248, 254.

²⁴⁵Devvan C Vohra, *India's Aid Diplomacy in the Third World* (Delhi: Vikas Publishing House PVT Ltd, 1980), p.192; Mukherji, "The Private Sector and Industrial Policy in India 1946-56", p.189; Manmohan Singh,

The required legislation for the implementation of industrial licensing was the Industries Development and Regulation Act of 1951. This legislation regulated the activities of the private sector industrial activities for two decades. While controlling and directing the private investments, the GOI aimed to channel investments in accordance with planning targets, ensure balanced regional development, give protection to small-scale industries against the competition of large-scale industries, prevent the concentration of economic power in the hands of a few business families and regulate, if necessary take over, those industrial undertakings the management of which was consistently breaking Government directives or was working against public interest.²⁴⁶

With respect to industrialization, India's endeavors were directed towards the establishment of a sound industrial basis to attain the ultimate objective of self-reliance through industrialization. These endeavors led to a remarkable growth and diversification of industry in the 1950-65 era. Up to 1965, the GOI managed to set up three new steel plants in the public sector, each having a one million capacity. The existing two steel plants in the private sector were doubled to realize their capacity fully. Besides, commencing by the Second Plan, foundations of heavy electrical and heavy machine tool industries, heavy machine building and other branches of heavy engineering were also laid. Production of machinery for the

"Industry" in *India's Economic Development Strategies, 1951-2000 A.D.*, ed., J.N. Mongia (Dordrecht: Reidel Publishing Company, 1985), p.68-9; Rao, *Nehru and Planned Development*, p.127; Ahluwalia, "Contribution of Planning to Indian Industrialization", p.261.

²⁴⁶Kavita Tiwari, *Absenteeism and Industrial Development: Causes, Impact and Control Measures* (New Delhi: Deep and Deep Publications, 1995), p.76; B.R. Tomlinson, "Historical Roots of Economic Policy" in *Foundations of India's Political Economy*, eds., Subroto Roy and William E. James (London: Sage Publications, 1992), p.296-7; B.L. Bajpai and Rajat Batra, "The New Economic Policy-Background and Challenges" in *Economic Problems of Modern India*, ed., Madan, p.99; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.49.

cement and paper industries started in the country for the first time. In the field of chemical industries the country had a considerable advance.²⁴⁷

The other distinguishing feature of the era was the high growth rate. This era of high growth rate commenced by the Korean War, when Indian economy underwent a sort of industrial boom. The rise in the industrial production during the War was not repeated for a long time. By the ability to meet the increased demands due to the bumper harvests the Indian policymakers optimistically claimed that the country was too close to attain her self-sufficiency.²⁴⁸

Indian policymakers, however, had to abandon this overoptimism in the face of fluctuations in the growth rate. While this fluctuation was true between years, the most serious commenced in 1957. This was not a simple fluctuation but a slacking down that indicated a future slow down in industrial production due to structural problems such as dependency on foreign countries with respect to foreign exchange and technology. These problems were not attempted to be solved by the industrialization drive but were ironically, aggravated by this drive.²⁴⁹

²⁴⁷Rao, *Nehru and Planned Development*, p.63; D. Emery, "Industrialization in India: Opportunities Missed?" in *Economic Development Perspectives: Industrial Development and Economic Policy, Volume 6*, ed., Binode Mohanty (New Delhi: Commonwealth Publishers, 1991), p.58.

²⁴⁸Confidential Memo on Industrialization Program, 21 January 1953, RG 469, Records of the Agency for International Development and Predecessor Agency, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-54; Bettelheim, *India Independent*, p.238; Mukherji, "The Private Sector and Industrial Policy in India 1946-56" in *Economy, Society and Polity: Essays in the Political Economy of Indian Planning*, ed., Bagchi, p.191; Chattopadhyay, "India's Capitalist Industrialization: An Introductory Outline" quoted by Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.142; Emery, "Industrialization in India: Opportunities Missed?" in *Economic Development Perspectives: Industrial Development and Economic Policy, Volume 6*, ed., Mohanty, p.58; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.93.

²⁴⁹Bettelheim, *India Independent*, p.235.

Following this recession, the overall decline in industry commenced in the 1960s. The fastest growing industrial sub-sectors of the 1950s were clearly slowing down during the Third Plan. Maximum decline in capacity utilization occurred in the capital goods sector. The worst performance with respect to productivity growth was in the intermediate goods sector, particularly in cotton textiles, jute textiles, non-ferrous metals, iron and steel. Similar to other sectors the consumer goods industries maintained a growth rate of a little over 1 % in this period. The only exception was the consumer durables sub-sector that expanded at the rate of 8.5%.²⁵⁰

Though these developments were alarming, the attained growth rate still satisfied the Indian policymakers until 1966. This year, however, was a watershed in the industrialization of the country as it indicated the beginning of the second era distinguished by a slowing-down in growth rate. In comparison to the average annual growth rate of 7.8 % in 1950-65, in this era the growth rate fell to 4.9 %.²⁵¹

There were various views regarding the reasons of this general deceleration in the industrial production. For some, this deceleration was the inevitable outcome of some extraordinary events that absorbed the resources of the country. Interpreting the 1958 crisis as a temporary economic recession, these critics also pointed out the adverse effects of Sino-Indian War of

²⁵⁰ *Journal of Lok Sabha Records*, Debates on General Budget, 16 March 1966, p. 5899; Ahluwalia, "Contribution of Planning to Indian Industrialization", p.276, 282; Yoginder K. Alagh, *Indian Development Planning and Policy* (New Delhi: Vikas Publishing House, 1995), p.8, 215-7; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.94; Sarthi Acharya, "Concept of Development and Underdevelopment in the Indian Context" in *Alternative Development Strategies and The Indian Experience*, ed. B. K. Joshi, (Bombay: Himalaya Publishing House, 1986), p.83-4.

²⁵¹ *Journal of Lok Sabha Records*, Debates of Motions Re: Third 5 Year Plan, 25 August 1962, p.4023; *Journal of Lok Sabha Records*, Debates on General Budget, 16 March 1966, p.5899; Ahluwalia, "Contribution of Planning to Indian Industrialization", p.276, 282; Alagh, *Indian Development Planning and Policy*, p.8, 215-7; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.94; Acharya, "Concept of Development and Underdevelopment in the Indian Context", p.83-4.

1962, Indian-Pakistan War of 1965 as well as two successive droughts in the mid-60s.²⁵² For some, the fundamental reason for this deceleration was the loss of plan discipline that led to a substantial decline in targeted levels of investment.²⁵³ In addition to these explanations which referred to conjuncture developments, there were explanations referring the structural problems of Indian economy such as low agricultural productivity, potential of the domestic market, excessive amounts of obligatory importation, depletion of foreign exchange reserves and increased dependency on foreign countries with respect to foreign exchange, industrial inputs and technology transfer and stagnancy, even decline in export levels.²⁵⁴

The structural problems raised by the critics in fact comprised the components of a vicious circle that India had to deal with, like many other LDCs. Though there were times of relief again owing to the conjuncture developments such as flow of more foreign aid, Indian industry entered a period of fluctuations, undercapacity and deceleration. Indian industry, as well as economy, in general, had to learn to deal with periodic crisis. While the country recovered from the crisis of mid-60s, another crisis of the same sort, yet with greater magnitude, occurred in the early 1970s.

Evaluation of the era revealed that consistent with their preoccupation with self-reliance and economic viability, the Indian policymakers pursued heavy industrialization policy. Regarding a nation's capability in machinery manufacturing as the prerequisite of self-reliance in industrial production, their special attention was on this sector. Despite various difficulties they faced, the policymakers never abandoned this priority sector. The industrial

²⁵²Ahluwalia, "Contribution of Planning to Indian Industrialization", p.259.

²⁵³Alagh, *Indian Development Planning and Policy*, p.8.

²⁵⁴Acharya, "Concept of Development and Underdevelopment in the Indian Context", p.83-4; Rao, *Nehru and Planned Development*, p.64-5; Amiya Kumar Bagchi, "Public Sector Industry and the Political Economy of Indian Development" in *The State, Development Planning and Liberalization in India*, ed., Byres, p.311; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.274.

growth rate during the first three plans was 32.1, 7.8 and 18.2 %. Out of this, heavy industry had the most distinguished performance. While it comprised a relatively small share in the industrial production by Independence, as a result of the endeavors its share reached up to 85 % of the total supply of capital goods in the early 1970s. Though this proportion did not give an idea about India's dependence on imported components and technology in manufacturing indigenous machinery, this still indicated an impetus to attain a self-reliant economy to a great extent.²⁵⁵

Table V: Growth of Industrial Production: 1961-1973²⁵⁶

	% annual
Name of the Industry	1961-73
<i>Basic Industries</i>	6.72
<i>Capital Goods Industries</i>	4.76
<i>Intermediate Goods Industries</i>	3.89
<i>Consumer Goods Industries</i>	4.07
General Index	4.88

As a conclusion, the industrialization drive of India was distinguished by a good take-off followed by high growth rate then a slow-down. In comparison to the average annual growth rate of 7.8 % in 1950-65, in the following era this fell to 4.9 %.²⁵⁷ The distinguishing feature of the process was that despite high growth rate the attained level fell short of what the Plans targeted. The beginning was good with the moderate growth target of 7 % per annum in the

²⁵⁵C.P. Chandrasekhar "Investment Behavior, Economies of Scale and Efficiency in An Import-Substituting Regime" in *Indian Industrialization: Structure and Policy Issues*, ed., Arun Ghosh (Delhi: Oxford University Press, 1992), p.83.

²⁵⁶From Alagh, *Indian Development Planning and Policy* (New Delhi: Vikas Publishing House, 1995), p.215-6.

²⁵⁷*Journal of Lok Sabha Records*, Debates of Motions Re: Third 5 Year Plan, 25 August 1962, p.4023.

first 5 Year Plan which was marginally exceeded by actual performance. In contrast to the Plan target of 10.5 % in the Second 5 Year Plan the actual growth rate was 6.6 %. This was a rate that fell short of the target and actually lower than the level attained during the First 5 Year Plan. The same trend was true in the following plans. Besides, the process also led to a change in the proportions of the first and second sectors in GDP. In contrast to 21 % in 1950, industry's share reached to 30 % in seventies.

Parallel to this, the agricultural sector declined from 51.2 % of the GDP in 1950 to 45 % in the mid-70s. However, as revealed by the proportions, the increase in the sectorial share in GDP did not lead to a change in ranking. Agriculture continued to be the first sector in Indian economy (Table VI).²⁵⁸

Table VI: Distribution of GDP, by sector, 1950-70, %

Year	Agriculture	Industry
1950	51.2	21.0
1960	50.9	24.4
1970	49.6	28.0

Resource: UN, Yearbook of National Accounts Statistics, 1958, 1968, 1985

By the early 1970s India had achieved a relatively high standard in modern capital goods required by domestic industry. India produced its own machine tools, chemical equipment, mechanical machinery, heavy and other electrical equipment, transport equipment,

²⁵⁸Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.120; Ahluwalia, "Contribution of Planning to Indian Industrialization", p.273.

²⁵⁸Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.120.

professional and scientific equipment, and basic metal and alloys. It had steel and power plants while developing its all-important railway network. Most of this production was located in the public sector whose contribution to the total GDP reached 15 % in 1970.²⁵⁹ Yet this performance was not enough to categorize India as an industrialized country which attained its economic viability due to the structural problems as is examined in the following pages.

²⁵⁹Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.31.

Outcomes of the Development Strategies

a. Outcomes of the Agricultural Development Policies (1947-73)

By the 1970s rural India was increasingly marked by inequalities, abject poverty, tension, deprivation, duality and regional disparities. While the poor majority comprised one component of the dual social structure, the other component was a growing influential capitalist segment along with wealthy landowners. Analysts of the process concluded that failure of the policies led to the chronicization of poverty and inequality in rural areas.²⁶⁰

This was not the future that the Indian policymakers promised to the Indian rural population. Failures of the policymakers and contributing factors to this outcome are crucial concerns those should be examined.

The agricultural development policies of the Indian Republic had two ultimate objectives. The first of these was creation of a more egalitarian social order shaped by the principle of social justice. The second was an increase in agricultural productivity. Parallel to the given promises to the Indian peasantry during the national movement for better living standards the first stage of the agricultural development policy was mainly shaped by the first objective. The most important feature of Nehru era agricultural development policy was that it had cooperative and egalitarian notions without objecting development of capitalist relations in rural India. As Nehru believed without an improvement in the production relations in rural areas there would not be a considerable increase in production levels. So, he put high priority on the second

²⁶⁰See ILO Publications on the issue in the years of late 70s, 80s.

objective. The outcome of this prioritization was cooperative farming, land reform policies and CDPs.

Distinguished by their challenge to realize structural changes in rural India, these policies failed to attain promising outcomes. Though they were perfect schemes on paper, they proved to be not very applicable in the Indian context. The impracticability of these policies had two premises. While one was related to technical limitations aggravated by indifference of bureaucrats, the other was related to the resistance and successful emasculation of the rural elite whose interests were challenged by these policies.

Cooperative Farming

The cooperative farming that was regarded as the main premise of the structural change disappeared by time without much impact. Even during the heyday of the concept, these cooperatives did not cover even 1 % of the villages. Among the existing ones, while some existed only on paper others were not related to producers. Excluding the small cultivators and landless laborers from the process, they turned to be mechanisms that empowered the stance of the rural elite, who successfully utilized funds earmarked to these cooperatives. At the end, during the Fourth Five Year Plan social aspect of these cooperatives was totally given up and converted into credit units for the big farmers who applied intensive agriculture techniques.²⁶¹

Factors that served the unpromising outcomes were mainly related to the powerful stance of the rural elite and their successful emasculation of these arrangements. The core of their

²⁶¹T.K. Oommen, *Social Structure and Politics: Studies in Independent India* (Delhi: Hindustan Publishing Corporation, 1984), p.138; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.100; R.A. Deshpande, "Planning in India: An Overview" in *Economic Development and Planning in India*, ed., Subrahmanya, p.77; Bandyopadhyaya, "The Story of Land Reforms in Indian Planning" in *Economy, Society and Polity: Essays in the Political Economy of Indian Planning*, ed., Bagchi, p.21-2.

power was their domination of the state legislative assemblies. Owing to this, the rural elite successfully emasculated the scheme by excluding the majority from the process. Instead, via using the funds provided for these cooperatives, these rural elite reinforced their stance in rural India. In their open confrontation with the PM Nehru in 1959, the rural elite relying on their power in state legislative assemblies led to the refusal of the proposal regarding cooperative farming being an unavoidable strategy for agrarian reform.²⁶²

Land Reform Policies

Evaluation of the outcomes of land reform policies with respect to objectives revealed a partial success. Land reforms succeeded in abolishing the intermediaries in many parts of India. This development had various impacts on the countryside. According to official data, as a result of various land reform acts 800 000 tenants had acquired ownership rights. The maximum rates of rent were fixed at the rates not exceeding one-fourth to one-fifth of the gross produce in all the states, except a few. Under the land ceiling acts 7.2 million acres of land was declared as surplus. Out of this 5.6 million acres had been taken in possession.²⁶³

These official data was, however, were highly controversial. Bettelheim points out that though official documents between 1947-56 stated that the intermediaries were abolished to a great extent, in practice this was not the case. In most cases, villages were even not aware of the enactment of the legislation.²⁶⁴ In the majority of the villages instead of abolition, the intermediaries' conversion into big farmers was the case. Regarding the amount of distributed

²⁶²See *Journal of Lok Sabha Records*, Debates on Demands for Grants, 14 April 1958; Dispatch from American Embassy in India to Department of the State, 21 January 1953; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.100; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.195; G. P. Mishra, "Characteristic Features of Dominant Agrarian Relations and Class Basis of Rural Development in India" in *Alternative Development Strategies and The Indian Experience*, ed., Joshi, p.176; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.180; Oommen, *Social Structure and Politics: Studies in Independent India*, p.138.

²⁶³Kahlon, "Rural Poverty, Land Reforms And Employment", p.181.

²⁶⁴Bettelheim, *India Independent*, p.183, 187.

land to the landless, there were also controversial claims. Sharma and Punia claim that 4.4 million acres were distributed and 2.8 million acres remained undistributed out of the surplus land.²⁶⁵

Sau, on the other hand, claims that by 1977 actually redistributed amount reached 1.29 million acres.²⁶⁶ In contrast to these relatively high amounts, Madan claims that four million acres was the amount that GOI expected to distribute as a result of these policies. Yet in practice, due to the slow implementation, only 62.000 acres of land was available for distribution.²⁶⁷

Though on paper these outcomes seemed satisfying, for a subcontinent like India these were far from satisfactory. In the 1950s out of 100 million cultivators 40 % were tenants and more than 30 % were landless agricultural laborers.²⁶⁸ This proportion indicated that by these reforms the GOI aimed at 70 % of the total cultivators. Yet, at the end only 800 000 tenants acquired ownership rights. This comprised not even 1 % of the tenants. Besides, the governments failed to provide security for tenants. In many areas, where the peasant movement was weak, landowners ejected considerable amount of tenants. In contrast to the official statements, in many places tenants were suffering from very high rents.²⁶⁹

These land reform policies did not lead to a more egalitarian society; on the contrary, they accelerated concentration of land into few hands. While they struck the feudal concentration of land, they did not prevent, but instead promoted favorable environment for capitalist land

²⁶⁵Sharma and Punia, eds., *Land Reforms in India: Achievements, Problems and Prospects*, p.xxvi.

²⁶⁶Sau, *India's Economic Development: Aspects of Class Relations*, p.9.

²⁶⁷Madan, *Congress Party and Social Change*, p.241, 252.

²⁶⁸*Restricted Report on the Agrarian Problem of India*, Department of State, Office of Intelligence Research, 8 March 1951, RG 469, Records of US Foreign Assistance Agencies, 1948-61, Far East Division South Asia Country Subject Files, 1950-52, India: Agriculture and Agricultural Commodities.

²⁶⁹G. S. Bhalla, "Alternative Strategies In Indian Development: A Critical Analysis" in *Alternative Development Strategies and The Indian Experience*, ed., Joshi, p.94-5.

concentration. This mechanism indicated a restructuring in the upper strata of rural population. This basis led to the emergence of a new capitalist segment in rural India.²⁷⁰

This outcome was not adverse to what the Indian policymakers wanted to attain. As the Indian policymakers regarded semi-feudal landowners and intermediaries as obstacles for high agricultural productivity due to their absentee landlordism and exploitation, they promoted the creation of more entrepreneurial farmers in rural areas. The legislation gave the richer peasants, as well intermediaries, an opportunity to become big landowners. The mechanism functioned in such a way that rather than the abolition of intermediaries, their conversion into big farmers was the case. Dube points out that legislation increased agriculturists' legal security by curtailing the excessive powers of feudal landlords.²⁷¹

Therefore, to conclude that the first stage agricultural development strategy paved the way to the capitalist farming practice of the late 1960s and the 1970s would not be misleading. Nehru's policies were anti-feudal but in essence not anti-capitalist. As the most "socialist" component of his agricultural development policy, Nehru's cooperative farming idea was even envisioned as a take-off for such capitalist relations. He assumed that in the scheme of cooperative farming the petty landholders would come together, collaborate, use modern inputs for production and as the ideal market the surplus. By this process, each village became economically viable units involved in capitalist relations.

What made Nehru different from his successors was, however, his more egalitarian and societal approach. His liberal egalitarianism was based on the idea of equality of opportunity. He believed that through cooperative farming every member at that peculiar village

²⁷⁰Owdet, "Capitalist Agriculture and Rural Classes in India", p.89.

²⁷¹Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.179.

contributed to and benefited from the process. Instead of the individual, his focal point was the community. In contrast to this approach, his successors relied more on individual initiatives. Relying on the trickle down idea, they assumed that by concentrating on creation of wealthy “progressive” farmers who would act as impetus in rural areas, the increased welfare would trickle down to the lower segments of the rural population in the process.

Evaluating the land reform policies, the Third Plan noted that ‘the total impact of land reform was less than was hoped for’. Land reform measures raised high hopes but not all could be accomplished for various reasons. Various factors such as lack of political will, bureaucratic indifference, ignorance of the cultivators and long drawn court procedures in the event of litigation shaped this unpromising implementation of the land reform acts. But more important than these was the stance of those whose interests were challenged by these reforms they shaped the process. In order to mitigate the land reforms these semi-feudal remnants devised various strategies in the process.

In the case of abolition of intermediaries, the intermediaries managed to retain substantial amounts of land, usually of the best quality, and paid generously for what was taken away. In many states the legislation was arranged in such a manner that who received the greatest benefits was the former zamindars themselves. In many cases these zamindars did not declare any surplus land for distribution. By evicting the tenants these zamindars declared that they were self-cultivators. In most of the legislation zamindars recognized the right to own the land that they cultivated directly with agricultural labor. The States had no right than to impose a land-tax on this sort of land holding. As a result of this arrangement, most of the middlemen became landowners.²⁷²

²⁷²Etienne, *Rural Change in South Asia: India, Pakistan, Bangladesh*, p.42; Owdet, “Capitalist Agriculture and Rural Classes in India”, p.89; Bettelheim, *India Independent*, p.183-5; Namboodiripad, *Economics and Politics*

In addition to these intermediaries, the rich peasants were also able to expand their landholdings by purchasing lands from the state. This dual mechanism which functioned during the land reform acts was crucial as it paved the way to capitalist development in rural India. In addition to this guaranteed land plot, zamindars were also paid huge amounts of compensations, which enabled them to establish big farms.²⁷³ This was not contrary to Nehru's model since the land reform policies were anti-feudal but pro-capitalist. Nehru's opposition to semi-feudal remnants was due to their absentee landlordism without any investment for land. This was regarded as an obstacle for increase in agricultural productivity.

The semi-feudal landowners, on the other hand, who were affected by the land ceiling act also successfully sabotaged the ceiling laws. When the GOI announced ceilings on land property to preserve what they had in their hands, the landowners distributed the land among their family members, which was permitted by the law of inheritance, so that the surplus land available was reduced to the minimum. Further, much of the land that was declared surplus was not suitable for cultivation. The State governments had also encouraged the retention of land in excess on one's share, provided it was being used for rearing of cattle and dairy farming. This had provided opportunity to big landlords to declare a part of their land under these activities while actually it was being used for agriculture.²⁷⁴

The Tenancy Reform Acts shared the same fate. In principle the tenants were conferred ownership rights with regard to the land they were cultivating. Aware of the improper records

of India's Socialist Pattern, p.221; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.68.

²⁷³Ibid.

²⁷⁴*Journal of Lok Sabha Records*, Debates on General Budget, 7 May 1962, p. 2883; *Journal of Lok Sabha Records*, Debates on Finance Bill, 27 March 1971, p. 150; T. Haque and A. S. Sirohi, *Agrarian Reforms and Institutional Changes in India* (New Delhi: Concept Publishing Company, 1986), p.89; Mahajan, *Indian Economy and Regional Development*, p.15-6; Etienne, *Rural Change in South Asia: India, Pakistan, Bangladesh*, p.42.

regarding the tenants names, before the enforcement of the acts, the absentee landlords began to evict their tenants either by force or legally to avoid the application of the laws to them. Tenants, on the other hand, could not ask for their legitimate interests either due to improper records about themselves or ignorance on procedures.²⁷⁵

In addition to these strategies, another factor that impeded any genuine initiative aiming at structural changes in rural India was the political power of the rural elite both at central and state levels. As an organized interest group they had an important bargaining power vis-à-vis the GOI, particularly when it had to deal with problems due to low agricultural productivity. For the GOI the threat of deliberate decline of foodgrains production was an important deterrent for not adopting stricter policies. All the time the policymakers had the anxiety that any disturbance in agrarian relations would worsen the food problem.²⁷⁶

In addition to this bargaining power, representatives of the landlords had successfully lobbied against land reforms on various grounds. They opposed low ceiling on the grounds that fixation of ceiling too low would have lead to the monopoly of illiterate and ignorant class of people. According to the proponents of this view, by this monopoly, the intelligentsia, well-to-do and educated classes of people would have driven out of land.²⁷⁷

Though the rural elites were influential at the center through lobbying, the scope of their power was much more at state levels where the state legislatures were under their dominance. Relying on this dominance the rural elite developed various strategies to minimize the challenging aspect of these policies. One of them was the moderate tone of the legislation.

²⁷⁵Khanna, *Rural Development in South Asia: India*, p.47-9; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.223-4.

²⁷⁶Kishori Lal "Distributive Land Reforms with Unfavorable Power Structure-Punjab Haryana Scenario" in *Land Reforms in India: Achievements, Problems and Prospects*, eds., Sharma and Punia, p.91.

²⁷⁷*Journal of Lok Sabha Records*, Demands for Grants, 29 March 1954, p.3483.

The legislation on land reform differed in each state with respect to its content and measures. This feature led to loopholes through which the vested interest in rural India continued to enjoy their privileges. This was particularly true in land ceiling legislation. Each state adopted different levels of ceilings and different basis of application. Some states put a ceiling limit on the aggregate area held by the members of the family. In some one individual was regarded as one unit. In the latter case there were lots of transfers to evade surplus area of land.²⁷⁸

Another strategy that the rural elite applied at state levels was to delay the enactment of legislation on land reform policies. Though the Central Government recommended in favor of the ceilings on land holdings in 1951, most of the states did not enact legislation till 1960-1. Between the time period of enactment and enforcement of the legislation, the landowners had enough time to make arrangements for their own benefit. The most frequently used method was manipulation of records to retain substantial portion of the land. The implementation of the law even tended to be blocked to an extent through lengthy lawsuits filed by landlords in the courts.²⁷⁹

Economic dimension of the land reforms was an important factor that led to their inefficient implementation. For the implementation of this reform, the government had to pay huge compensation to the intermediaries. In addition to the compensation whose total was about Rs. 6700 million, the government had to earmark substantial allocations for the settlement of the tenants debts to landlords.²⁸⁰

²⁷⁸Haque and Sirohi, *Agrarian Reforms and Institutional Changes in India*, p.89; Madan, *Congress Party and Social Change*, p.31; Pal, "Legal Aspects of Land Reforms", p.313-4; Bettelheim, *India Independent*, p.182.

²⁷⁹Khanna, *Rural Development in South Asia: India*, p.47; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.116-7.

²⁸⁰Secret Strategy Paper on India, 1949, Papers of Harry Truman, PSF, Subject File, Foreign Affairs File; *Restricted Report on the Agrarian Problem of India*, 8 March 1951, Department of State, Office of Intelligence Research, RG 469, Records of US Foreign Assistance Agencies, 1948-61, Far East Division South Asia Country Subject Files, 1950-52, India: Agriculture and Agricultural Commodities; Khanna, *Rural Development in South Asia: India*, p.47.

American diplomats pointed out the economic impossibility of the reforms in 1949 under existing circumstances in India. In a strategy paper, they referred to the issue and stated that though the government accepted the policy that land should not be taken without adequate compensation, it lacked the required funds to pay for the lands and recognized that such payment led to high inflation.²⁸¹ The impossibility of paying compensation was due to its being of a high amount. The amount of compensation was to such a degree that critics of the compensation argued that the compensation amount was against distributive justice.²⁸²

Community Development Programs

The GOI had high expectations of the Community Development Programs as one of the basic pillars of the first stage agricultural strategy. The CDPs were put into effect between 1952-65, however, did not contribute significantly to agricultural production or alleviation of rural poverty. In contrast to the motives behind them, their major benefits were accrued to the richer farmers.²⁸³ Examination of the outcomes of the CDPs revealed that they failed to meet not only the material but also structural objectives such as democratic decentralized units to “function without revolutionary changes in the existing political and economic order”²⁸⁴ and self-sustaining village communities.

²⁸¹Secret Strategy Paper on India, 1949, Papers of Harry Truman, PSF, Subject File, Foreign Affairs File; *Restricted Report on the Agrarian Problem of India*, 8 March 1951, Department of State, Office of Intelligence Research, RG 469, Records of US Foreign Assistance Agencies, 1948-61, Far East Division South Asia Country Subject Files, 1950-52, India: Agriculture and Agricultural Commodities.

²⁸²Madan, *Congress Party and Social Change*, p.30.

²⁸³R A Nickson, “The Integrated Rural Development Program of India”, Papers in the Administration of Development No. 26, University of Birmingham, 1986, p.9.

²⁸⁴Vernon W. Ruttan, “Improving the Quality of Life in Rural Areas” in *Aid and Development*, eds., Krueger, Michalopoulos, Ruttan, p.170-1.

Chronic food shortage that led the policymakers to act pragmatically and that distorted the multipurpose content of the program to agriculture-oriented initiatives, indifference, even sabotage, of the bureaucrats and field staff in charge of the program were the main factors those were at force in CDPs emasculation.²⁸⁵ As a result of these factors, at the end, the CDPs turned to be nearly nothing. Despite these deficiencies, according to Sukhatme, the program went a long way toward improving village environments and establishing certain administrative structures that still function.²⁸⁶

Outcomes of the New Agricultural Development Strategy (1966 onwards)

In the Indian context, more than the assessment of the previous policies, what led to the adoption of the new agricultural development policy in 1966 was the chronic foodgrain deficiency and India's dependence on foreign countries for foodgrain imports. In the second stage, agricultural development strategy marked a total shift from the first stage with respect to its approach. Shaped by the trickle down principle, ultimate objective of the strategy was the attainment of higher agricultural productivity regardless of its social implications.

Integrated Agricultural Development Program (IADP)

IADP was the forerunner of the policies shaped by the new agricultural development strategy. Implemented before adoption of the new agricultural development strategy, the IADP represented the transition between two stages. Like its successors, the IADP was region-wise implemented in a limited geographic area. In the case of IADP, the pilot practices were undertaken in seven districts. Later on, this was expanded to only twenty-two districts in North India, selected on the basis of their comparative advantages characterized by natural

²⁸⁵Chib, "Introduction", p.7; Rao, *Nehru and Planned Development*, p.31-2; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.123.

²⁸⁶Sukhatme, "Assistance to India", p.220.

geographic features, climate and entrepreneurial skill of rich farmers.²⁸⁷ For a country like India twenty-two districts were nearly nothing.

Against the criticisms regarding this limited scope of activities which had many negative implications such as increase in regional imbalances, and differentiation among the rural population, supporters of the policies justified these by the possible outcome of cheap food. Defining cheap food as the best form of socialism, these supporters pointed to a neglect of other considerations at least for a while.²⁸⁸

In contrast to the expectations, the impact of the program with respect to an increase in agricultural output was unsatisfying. Though there was an increase this was not high, and was on a sustained basis despite the expansion of the use of modern inputs, particularly fertilizers. Unreliability of the attained increase revealed during the successive drought of 1965-6.²⁸⁹

Green Revolution

The Green Revolution was paid high credit by the Indian policymakers as well as the American proponents of the program. By its individual-oriented approach shaped by the trickle down principle the program marked the beginning of a new era in Indian agriculture. As it was introduced as a “saving” mechanism for India, there was much debate on the impact of the Green Revolution focusing on its success to meet the expectations. While those who interpreted the process in an orthodox manner concentrated on the agricultural output rate, those who questioned the social implications of this policy concentrated on its impact on rural

²⁸⁷Nickson, “The Integrated Rural Development Program of India”, p.1-2.

²⁸⁸Sarathi Acharya, “Concept of Development and Under Development in the Indian Context” in *Alternative Development Strategies and the Indian Experience*, ed., Joshi, p.86-7.

²⁸⁹Sukhatme, “Assistance to India”, p.220; Randhawa, *A History of Agriculture in India: 1947-1981*, p.214-5.

population structure, production relations as well as quantitative outcomes. In the course of the paper, the second pattern is followed.

There were various views regarding the impact of the Green Revolution. Proponents of the Green Revolution defined it as a milestone for India since it served the solution of food deficiency problem. According to this view, by this Revolution India became a food-sufficient country and could pursue independent policies free from any strings. Proponents also claimed that the process verified the trickle down principle as the process first benefited the big farmers rather than the petty landowners.²⁹⁰

Critics of the Green Revolution, on the other hand, refused these views and claimed that with respect to the outcomes, the term 'Green Revolution' was a hyperbole. They referred that the so-called Revolution was confined to cereal crops and to regions with good irrigation potential. Sustainability of the attained production rate was highly vulnerable depending on the availability of assured rainfall or irrigation; preferably the latter due to untimely or excessive rainfall in the absence of adequate drainage would prove harmful to growth. They also noted that this revolution stood as a milestone for the acceleration of capitalism in Indian agriculture.²⁹¹

Examination of the growth rate attained following the Green Revolution was crucial as the challenge of these programs was to end low growth rate in agriculture production, minimize

²⁹⁰Ranjit Singh, "The Green Revolution: An Analysis" in *Social, Economic and Political Implications of Green Revolution in India*, eds., B.S. Hansra and A.N. Shukla (New Delhi: Classical Publishing Company, 1991), p.12-3; D.K. Gill and S.K. Saini, "Social Implications of Green Revolution" in *Social, Economic and Political Implications of Green Revolution in India*, eds., Hansra and Shukla, p.60; Khanna, *Rural Development in South Asia: India*, p.76.

²⁹¹See Bagchi, ed., *Economy, Society and Polity: Essays in the Political Economy of Indian Planning*; Dantwala, "Strategy of Agricultural Development Since Independence"; Amarjit Singh, "Maladies of Green Revolution" in *Social, Economic and Political Implications of Green Revolution in India*, eds., Hansra and Shukla; Khanna, *Rural Development in South Asia: India*; Bardhan, *The Political Economy of Development in India*.

India's dependence on foreign countries for foodgrains as well as industrial raw materials and save foreign exchange through these improvements. The growth rate in production indicated that the revolution did not lead to a boom in agricultural production. On the contrary, in total, it fell behind the growth rate of the previous era (Table VII):²⁹²

Table VII: Average Annual Growth Rates of Production %

	Pre-Green Rev. Period (1949-51 & 67-70)	Post-Green Rev. Period (1967-70 & 82-85)
Cereals	3.26	3.01
Pulses	0.98	0.70
Foodgrain crops	2.94	2.77
Oilseeds	2.33	2.03
Fibres	2.95	1.78
Sugarcane	2.94	2.76
Non-foodgrains crops	2.72	2.62
<i>All crops</i>	2.88	2.72

In addition to this moderate growth rate, another prevailing feature that the so-called revolution failed to challenge was the agriculture's dependency on uncontrollable factors such as rain. Owing to its region-wise nature, the adopted technologies failed to challenge agricultural production's dependency on these uncontrollable factors. Similar to the initial years of Independence fluctuations in monsoons led to fluctuations in agricultural productivity. In 1972 immediately after announcing India's intention of terminating the US-

²⁹²Bhanu Pratap Singh, *Betrayal of Rural India* (Delhi: B.R. Publishing Corp, 1988), p.32.

Indo Food Aid Program due to the failure of monsoons, India again had to turn to the foreign countries for foodgrain importation.²⁹³

As this brief examination revealed, the Green Revolution had moderate achievements with respect to sustained foodgrain growth rate. Though the official circles recognized this fact, in the Indian official literature²⁹⁴ the Green Revolution was defined as an important landmark for India's self-sufficiency in foodgrains. The most probable explanation for this was the change in the nature of the impetus for the agricultural growth. In the pre-Green Revolution era nearly 70 % of the growth was attained by an expansion of cultivated land.²⁹⁵ By the time of adoption of Green Revolution techniques Indian agriculture reached its natural limits with respect to acreage. As acreage-relied agricultural production reached its limits the possible outcomes were more acute starvation and dependence on foreign countries, unless Indian farmers commenced yield-relied production.

In addition to this quantitative implication, the Green Revolution had important social implications deriving mainly from its trickle down basis. Priority of the second stage of the agricultural development policy was individual, not the community at first. The main thrust in this capitalist transformation in rural areas was the Green Revolution. This was inevitable as the approach of the program was individual-based development, and not the community. "Progressive" farmers, who had enough means including large lands, irrigation facilities and

²⁹³ *Journal of Lok Sabha Records*, Debates on General Budget, 1973-4, 28 February 1973, p. 285; Bhupendra Hooja, "Poverty and India's Plan Efforts" in *Economic Development Perspectives*, ed., Mohanty, p.212; Thomas P. Thornton, "US-Indian Relations in the Nixon and Ford Year" in *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, eds., Harold A. Gould and Sumit Ganguly (Boulder: Westview Press, 1992), p.107; Sun Peijun, "Agricultural Development in China and India: Experiences and Problems" in *Economic Development of India and China: A Comparative Study*, Indian Council of Social Science Research Lancer International in Association with Indian Council of Social Science Research, 1988, p.48; Ashok V. Bhuleshkar, ed., *Indian Economic Thought and Development* (Bombay: Popular Prakashan, 1969), p.175; Owdet, "Capitalist Agriculture and Rural Classes in India", p.96.

²⁹⁴ See Randhawa, *A History of Agriculture in India: 1947-1981*.

²⁹⁵ Bettelheim, *India Independent*, p.177; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.181.

financial capability to practice modern inputs such as tubewells, HYVs or fertilizers, could best implement techniques required by the Green Revolution. These advantageous farmers turned to be capitalist farmers in the process through marketing of agricultural surplus they gathered.²⁹⁶

The capitalist transformation indicated diversification of the rural elite. In addition to the semi-feudal landholders capitalist farmers reinforced their position in the rural structure in the process. Development of capitalist relations in rural India was realized at the expense of the feudal remnants to a great extent. This condition resulted in contradictions and clashes between the semi-feudal remnants and capitalist farmers in which the latter was more advantageous owing to the policymakers' pro-capitalist tendencies.²⁹⁷

The dichotomy between the precapitalist semi-feudal landlords and capitalist farmers comprised one facet of the duality in rural India. The other facet was the dichotomy between the lower segments of the rural population and this diversified rural elite. Examination of the outcomes of policies revealed that instead of an egalitarian social structure, a more inequalitarian social structure emerged parallel to this capitalist transformation. As the impetus of change, the big farmers evicted their tenants and began to lease in land from petty landowners on terms, which seemed attractive to the latter in order to increase their profit.²⁹⁸

²⁹⁶Bhalla, "Agrarian Transformation in India: The Interaction Between Tradition and Modernity", p.30-1; Sarita Kamra, "Agricultural Development, Politics., and Urban Growth in India" in *Rural Development in India: A Strategy for Socio-Economic Change*, eds., Ibbatnagar and Chib, p.192; Mishra, "Characteristic Features of Dominant Agrarian Relations and Class Basis of Rural Development In India", p.182.

²⁹⁷Owdet, "Capitalist Agriculture and Rural Classes in India", p.88.

²⁹⁸M.L. Dantwala, "Growth versus Equity in Agricultural Development Strategy" in *The Development Process of the Indian Economy*, eds., P.R. Brahmananda and V.R. Panchamukhi (New Delhi: Himalaya Publishing House, 1987), p.153.

In most cases this leasing-out resulted in the owners' loss of property. While tenants lost their security, agricultural laborers began to receive less wages. As a result, significant numbers of small farmers became marginal farmers and the number of landless workers increased. In short, the growth and reinforcement of the capitalist farmers was at the expense of petty landholders. While they were getting impoverished, the "progressive" farmers through concentration of resources and power and easier access to incentives such as credit, and subsidized inputs increased their wealth and influence. This process aggravated the differentiation among the rural population, intensified tensions as well as giving momentum to migration from rural to urban areas.²⁹⁹

This differentiation accelerated another development, namely institutionalization of the dual structure in Indian rural areas, both as social groups and regions. While on the one hand a minority wealthy farmers who used modern inputs integrated with the world economy, on the other hand, there was a majority that had to rely on subsistence economy without any security had to live in traditional way. Joshi points out that this dual structure in rural areas was reinforced by the capitalist transformation since the small landholders were converted into a propertiless class. The process led to their growing into wage laborers over a long period. This indicated pauperization without proletarianization. As the capitalist transformation was region-wise this mechanism functioned more intensely in these regions.³⁰⁰

²⁹⁹On the issue see Mohanty, ed., *Economic Development Perspectives: Agriculture and Rural Development*, Volume I; Weiner, *The Indian Paradox: Essays in Indian Politics*; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*; Brahmananda and Panchamukhi, eds., *The Development Process of the Indian Economy*; Hansra and Shukla, eds., *Social, Economic and Political Implications of Green Revolution in India*; Joshi, ed. *Alternative Development Strategies and the Indian Experience*.

³⁰⁰Mishra, "Characteristic Features of Dominant Agrarian Relations and Class Basis of Rural Development in India", p.182, 184; Weiner, *The Indian Paradox: Essays in Indian Politics*, p.103.

The Green Revolution also intensified the regional disparities. It excluded not only the majority of rural population but also a majority of the lands as it required certain infrastructure and climatic conditions. This resulted in a concentration of activities in a limited geography, namely North India. This was not a novelty but instead it represented continuity with the region-wise policies implemented in the 1950s. Regions in the scope of the revolution became more advantageous with respect to increase in agricultural output and income as well as public resources through various incentives.³⁰¹

The basic irony of the Green Revolution was, however, India's dependence on foreign countries. The new agricultural development strategy adopted in the mid-60s was justified on grounds that it led to the minimization of India's dependence on foreign countries for foodgrain importation. In contrast to this claim, the revolution created another dependency link with the foreign countries as the applied technology required considerable use of modern inputs. With respect to the amount of use of modern inputs nearly all of which were imported, India had an exceptional performance, particularly in seeds and fertilizers.³⁰²

Examination of the agricultural development policies revealed the changing priorities of the policymakers. While the first stage of agricultural development policy had the objectives of promotion of equality of opportunity and increase in agricultural productivity, the second policy of the 1960s was distinguished by its more pragmatic approach. Concentrating on the growth rate and productivity rise policymakers disregarded the social implications. Evaluation of these policies with respect to the defined objectives revealed that both of these failed to

³⁰¹Joshi, "Agricultural Transition in India: The Interplay of Technology and Ideology in Social Transformation" in *Nation Building in India: Socio-Economic Factors*, ed., R C Dutt (New Delhi: Lancer International, 1987), p.83-4; Dantwala, "Growth versus Equity in Agricultural Development Strategy" in *The Development Process of the Indian Economy*, eds., Brahmananda and Panchamukhi, p.152-3; Banerjee and Ghosh, "Indian Planning and Regional Disparity in Growth", p.105, 112.

³⁰²Dantwala, *Dilemmas of Growth: The Indian Experience*, p.74-5; Sau, *India's Economic Development: Aspects of Class Relations*, p.3.

attain the objectives. Powerful segments successfully emasculated policies aiming at structural changes in rural areas in the scope of the first policy. In contrast to the objective of more egalitarian social order regarding opportunities, they all served to the interests of powerful segments.

b. Outcomes of the Industrial Development Policies

Except a brief period in the initial years, India adopted a development strategy led by heavy-industrialization. Despite the reservations of the center countries, Indian policymakers pursued this strategy without cease. Like their counterparts in other LDCs, they believed that only through a genuine industrialization India could attain modernization and self-reliance. In addition to self-reliance, the policymakers regarded industrialization as a precondition for political independence as the strong industrial basis would be a strong deterrent against enemies of the country. They identified big industrial complexes with high development level.³⁰³

The industrialization drive of the country between 1947-73 witnessed structural changes with respect to the composition of the industrial goods. In the era under study the annual growth rate in traditional industries such as textiles was 1.2 %. This varied between 8 to 14 % in non-traditional industries such as engineering and chemical industries. Consistent with the Mahalanobis Model, the most significant growth took place in capital good industries. The share of capital good industries increased from 4.71 % in 1956 to 16.76 % in the mid-70s. In terms of performance within this sector the so-called new industries such as machinery production, power equipment, cables and wires grew much faster. Basic industries also had a rapid growth rate. Their share went up substantially from 22.63 % to 36.14 % in the same

³⁰³Bhalla, *Uneven Development in the Third World: A Study of China and India*, p.4-5; B.N.P. Singh, *Programs and Policies of Planning in India* (New Delhi: Deep and Deep Publications, 1991), p. 49; see Mahajan, *Indian Economy and Regional Development*, Chapter 4.

period. In contrast these developments, the share of consumer goods decreased from 48.37 % to 27.83 %.³⁰⁴

These growth rates gave the impression that India attained a sound industrial establishment consistent with the national objective. Examination of the growth tendencies in the sectors, however, revealed the uneven balance among them. The heavy industries owed their high growth rates to the performance before the mid-60s. Parallel to the increased foreign exchange shortage, growth of heavy industry decelerated. The relative stable growth rate was observed in the consumer goods industries. As the main activity field of the private sector due to its quick returns, the consumer good industries represented the unevenness in the industrial sector. Within consumer goods, durables, mainly as items consumed by upper-income groups had grown faster than non-durables. These catered to the demand of urban and rural rich classes.³⁰⁵

This preference of the private sector, however, had crucial negative impacts on the country's industrialization. First of all, the private sector contributed most to the depletion of foreign exchange reserves for unproductive ends. The consumer goods, which were not of major economic importance, used imported semi-products. Developed mostly out of the context of the plans by the support and contribution of foreign aid, these industries were detrimental to the economy as they increased the import needs. Imported raw materials, semi-products, spare parts weighed heavily on the balance of trade and reduced the currency available for

³⁰⁴Sudipto Mundle, "Some Speculations on Growth, Disparity and Capital Reorganization in the Indian Economy" in *Alternative Development Strategies and the Indian Experience*, ed., Joshi, p.206; S.S. Nadkarni, "Industrial Finance: Trends and Issues" in *Economic Development Since Independence: 40 Years of India's Development Experience*, ed., R.K. Sinha (New Delhi: Deep and Deep Publications, 1989), p.196; Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.120.

³⁰⁵Bhalla, *Uneven Development in the Third World: A Study of China and India*, p.99; Mundle, "Some Speculations on Growth, Disparity and Capital Reorganization in the Indian Economy" and Bhalla, "Alternative Strategies In Indian Development: A Critical Analysis" in *Alternative Development Strategies and the Indian Experience*, ed., Joshi, p.99, 205.

importing the equipment needed for heavy industries. Therefore, the expansion of industries producing consumer goods of secondary importance immobilized large amounts of capital and led to pseudo-industrialization. This development slowed down, even halted genuine industrialization.³⁰⁶

A trend that could be interpreted as the Indian industrialists' lack of vision was raised to the agenda in the mid-60s in the midst of the industrial recession. In an official report, the industrial capitalists, even the greatest of all, such as Birla, was criticized because of their concentration on consumer goods but not on basic industries.³⁰⁷ Diagnosis of the negative impact of this trend led the political elite to take precautions to this end. In the late 1960s PM Gandhi submitted a memorandum on possible urgent measures for economic development in which she asked the big capital's exclusion from the consumer goods industries.³⁰⁸

This disproportional growth of consumer goods shed light on the inefficient functioning of the mechanisms, such as licensing, developed for the efficient use of the scarce resources. Ironically, by its policies the GOI contributed to this uneven development. While there was hardly any import duties on capital goods and raw materials to protect these from the competition of foreign producers, duties on the import of consumer goods were several fold of those on capital goods. The latter was also subject to quotas. As the GOI did not develop countervailing policies, the structure of industry and the relative position of consumers and capital goods industries were distorted.³⁰⁹

³⁰⁶ Chattopadhyay, "India's Capitalist Industrialization: An Introductory Outline" quoted by Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.153; Bettelheim, *India Independent*, p.253; Dennis Merrill, *Bread and the Ballot: the US and India's Economic Development, 1947-63* (Chapel Hill: The University of North Carolina Press, 1990), p.153-5; Bhalla, *Uneven Development in the Third World: A Study of China and India*, p.99.

³⁰⁷ *Journal of Lok Sabha Records*, Debates on Hazari Report, 6 March 1968, p. 1937-8.

³⁰⁸ Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.272.

³⁰⁹ Sethi, *Indian Economy Under Siege*, p.49.

Another uneven development related to the import substitution industrialization was related to the economic power. The rhetoric for decentralization of economic power was not the case in practice. The process witnessed the concentration of resources and power in the hands of few. By 1973 the growth of monopoly houses continued. By March 1973, about 50 % of the private capital was controlled by seventy-five houses. Fifteen out of these seventy-five houses comprised the “cream” as they controlled more than 55 % of total assets of the seventy-five houses.³¹⁰

The GOI, in fact, welcomed the existence of monopolies to a degree, since it regarded the monopoly capitalism as the engine for industrial development. The Monopolies Commission defined monopolies as concentration country-wise and concentration product-wise. Related to the first, the Commission stated that this existed during the WW2 when only the organized industry was ready to take up the challenge. It claimed that after the WW2, when the country desired a rapid economic development, these were the only people that could undertake such a task. Besides, the Commission thought that as this organized industry had a big profit instead of distributing these profits, it kept it as a surplus and ploughed back in the further development of industry. On this ground the Commission concluded that concentration of economic power on a country basis was good for the economic development of the country. Though the degree of the concentration of the economic power in the private sector was more than what could be justified, these commissions did not suggest dissolving the existing monopolies but taking precaution against future monopolistic development.³¹¹

³¹⁰ *Journal of Lok Sabha Records*, Debates on General Budget, 1973-4, 14 March 1973, p. 223; Singh, *The Aborted Revolution*, p.276; Mahajan, *Indian Economy and Regional Development*, p.116.

³¹¹ *Journal of Lok Sabha Records*, Debates on Hazari Report, 6 March 1968, p. 1934-5; *Journal of Lok Sabha Records*, Debates on Industrial and Licensing Policy Reports, 7 March 1968, p. 2249; Misra, *Government and Bureaucracy in India, 1947-76*, p.307

Owing to their dominating position and their freedom from foreign competition, these monopolists determined the course of the sector as well as the economy. For the anti-monopolists, along with the public sector, the monopoly capitalists were mainly responsible for India's technological dependence on foreign countries. The assured domestic market as well as incentives for the sake of increase in industrial production prevented these monopolists to take any initiative for indigenous technological development. Instead they constrained the country to imported import substitution, which meant dependence on imported technologies almost totally and repeatedly, instead of accompanying imports by its indigenization, adaptation, modernization and after a while, its complete replacement through domestic research and development (R&D).³¹²

As the locomotives in the industrial sector, the monopolists also shaped the fake industrialization process. Instead of manufacturing the products, due to its relative easiness and quick returns they concentrated on assembly. By importing the required inputs, they assembled machines.³¹³ As for its production Indian industrial goods required a high amount of imported inputs financing of which was again foreign resources they were noncompetitive.

Last but not least, the industrialization drive of the country did not generate employment opportunities for the unemployed pool. This was one of the premises of Nehru when he justified rapid and heavy industrialization drive of the country. Owing to the capital-intensive feature of Indian industrialization, industry failed to absorb surplus labor force and generate employment. More than industry, it was the services sector that generated more employment opportunities. In the face of the low employment generation of industry, the planners sought

³¹² Sethi, *Indian Economy Under Siege*, p.51.

³¹³ See Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*; Joshi, *Alternative Development Strategies and the Indian Experience*.

to protect and develop cottage industries without sacrificing the main industrialization line with heavy industry at its core.³¹⁴

Concluding Remarks

Examination of the development policies of both Turkey and India proved the discrepancy between the vision and reality regarding the countries' development. Neither the agricultural nor industrial development policies served to the economic viability and the self-reliance of Turkey and India. Instead, their dependence on foreign countries increased on various grounds. Their institutionalized dependence to center countries augmented with respect to foreign exchange and technology. This dependence, on the other hand, increased the indebtedness of Turkey and India as they failed to finance the development plans from their own resources. This was an outcome contrary to the main assumption of US foreign aid policy according to which by solving the low domestic savings problem as the most important impeding factor of economic development of LDCs through foreign aid until these countries had enough capital accumulation, the LDCs would attain their self-reliance.

Both Turkey and India reached a certain capital accumulation but this did not lead to self-reliance. In addition to its contribution to accumulated capital, the medium- and long-term negative impact of the foreign aid policy was the artificial convenience it created among the policymakers. Along with the flow of remittances of the workers abroad, this led to the undermining of the inability of the country to increase her domestic savings. However, to explain this inability only with respect to the artificial convenience would be misleading as it undermined inner dynamics of the country. Failure of Turkey and India with respect to self-

³¹⁴V.K.R.V. Rao, "The Indian Economy: Its Growth and Structural Change" in *Economic Development Since Independence: 40 Years of India's Development Experience*, ed., Sinha, p.35; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.180; Acharya, "Concept of Development and Underdevelopment in the Indian Context", p.85; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.188-9.

reliance was an outcome as well as an indicator of the prevailing structural problems in their economy, namely low domestic savings and balance of payments problems.

First of all, both Turkey and India faced the dilemma of the gap between the domestic savings and scope of the development tasks that they desired to undertake. Preoccupied by the idea of rapid development to attain self-reliance they embarked upon ambitious development plans that necessitated a great degree of importation. The system that developed highly relied on expanding public sector that meant the absorption of considerable amount of resources by the public sector which was an important premise for the capitalist capital accumulation. By its task to supply subsidized inputs to private sector it considerably served the growing deficit in the domestic savings. Criticized due to their failure of efficient use and regeneration of the existing domestic resources in productive fields³¹⁵, Turkish and Indian policymakers decided to devise policies to increase the low domestic savings.

Examination of the process, however, confirms the accuracy of criticisms regarding the policymakers' inability to regenerate potential resources. Despite their determination for devising policies to increase domestic savings such as efficient tax system, minimization of subsidies and other types of incentives, every attempt turned out to be the repetition of the previous ones with respect to their failure. In other words, their determination remained in rhetoric. There were various inner factors that shaped this failure. On this issue top among these factors was the policymakers' vulnerability vis-à-vis the powerful segments, namely the elite groups, of the country.

³¹⁵Şahin, *Türkiye Ekonomisi*, p.142; Bettelheim, *India Independent*, p.276.

This vulnerability was apparent in the resistance and successful maneuver of the elite groups against any initiatives to develop an efficient tax system and also in their successful manipulation of the conditions to institutionalize their interests through various policies including credits and subsidies. Consequently whatever the determination policymakers mainly cut off means to increase the level of domestic savings. In the face of this, as a remedy for the growing deficit Turkish and Indian governments either sought means to reduce domestic consumption or deficit financing by printing money that led to inflationist trends. While the expanded public sector failed to enable the successful implementation of the first, the latter was regarded as the remedy both by Turkish and Indian policymakers.

Deficit financing that was defined as “a necessary evil” by the Indian policymakers³¹⁶ meant financing of the increased gap between the savings and public expenditure through imprinting more money. Using the Central Bank as the main means in this policy, Turkish and Indian governments, for a long time, undermined the negative impact of this policy. The money supply had inflationist pressures on Turkish and Indian economies and indicated a sort of vicious circle because the high inflation rates led to larger budgetary deficits since the public sector’s expenditure was at unreasonably high rate. This led to a higher rate of money supply which meant further inflation.

Despite this feature of the deficit financing, governments of Turkey and India increased their implementation on grounds that this was a temporary policy that would be abandoned when the country attained self-sufficiency at the end of the pursued development policies.³¹⁷ In fact,

³¹⁶Journal of Lok Sabha Records, Debates on General Budget, 8 March 1960, p. 4759-60.

³¹⁷*Journal of Lok Sabha Records*, Debates on General Budget, 3 June 1952, p. 1035; J.N. Mongia, “Deficit Financing” in *India’s Economic Development Strategies, 1951-2000 A.D.*, ed., Mongia, p.201, 208-10; Sethi, *Indian Economy Under Siege*, p.30-1; Mukherji, “The Private Sector and Industrial Policy in India 1946-56”, p.193; G. Thimmaiah, “Fiscal Management” in *India’s Economic Development Strategies, 1951-2000 A.D.*, ed., Mongia, p.182-3.

this was the sole remedy for the governments, as they could not efficiently implement policies resulting in higher domestic savings. In contrast to the 'ought to be', in Turkey and India the ratio of direct taxes decreased while the proportion of all sorts of incentives including subsidies and credit mechanism increased.

Inability of increasing domestic savings and the resulting domestic deficiency represented one facet of the structural problem that Turkey and India faced. The other facet was the balance of payments problem that indicated inability of Turkey and India to increase their export incomes to the level required to meet imports and also to reduce imports. In their insistence on the continuity of the development policies and inability to raise domestic savings, Turkish policymakers were left with the option of reducing the imports while increasing the export earnings.

In a sound economy, the country did not necessitate heavy borrowings or face the balance of payments problem as its foreign exchange resources mainly from its exportation would be sufficient to meet the foreign exchange needs of the country. This was not the case for Turkey and India, which mainly participated in the world economy by primary products. It is an accepted view that countries which participated in this division of labor by agricultural products and raw materials have a disadvantageous stance against those who participated by advanced industrial and technological goods owing to the trends in the prices of these goods. In contrast to the agricultural goods and raw materials prices, which have a declining tendency, there was a continuous increase in the prices of the industrial and technological goods.

What aggravated the situation for the LDCs in their endeavor for development was the fact that the advanced countries sold not only industrial or technological goods but also agricultural raw materials. In this respect they are the competitors of the LDCs again enjoying the advanced stage in production, marketing and networking. As seen in Turkish and Indian cases, fluctuations in the agricultural production owing to its dependency on uncontrollable conditions such as climate, increased domestic demand on these goods owing to the establishment of industrial facilities as well as rapid population growth made many LDCs promising markets for the advanced countries. Besides, the advanced countries' adoption of import substitution policies in the goods that they had to import was also the other reason of this trend.³¹⁸

Turkey and India were not exceptions regarding this process. In contrast to the decline in the prices of their exportable goods, price of the imported goods increased. Regardless of the expensiveness of Turkish exportable goods, the disproportion in the price increase of the agricultural and industrial goods served the loss of the first. Referring to the loss of Turkey due to this trend in the prices, Turkish policymakers accused the USA for reinforcing her stance in the international division of labor.³¹⁹ The Indian policymakers exemplified this trend by referring to what India experienced when there was a sudden decline in the cotton and jute prices after which the balance of payments began to deteriorate.

Besides, owing to the nature of the exported goods, share of Turkey and India reduced in the process. While Turkey's share in the world exports was % 0.47 in 1950, this reduced to %

³¹⁸Kemal Çelebi, *Türkiye'de Ekonomik İstikrarsızlığın Dışsal-Yapısal Nedenleri ve İstikrar Politikaları* (Manisa: Emek Matbaası, 1998), p.16

³¹⁹*Journal of TBMM Records*, Term VIII, Volume 16, Meeting 3, 26 February 1949, p. 761.

0.21 in 1970.³²⁰ The same trend was true for India. The share of Indian exports in the world market decreased from 2 % in 1950 to 1.1.% in 1960 and 0.65 % in 1970. The industrial basis that could be regarded as an advantage in Indian exports, on the other hand, could not be an advantage due to the noncompetitive character of the Indian industrial goods until the mid-60s. When the Indian industrial capitalists struck in domestic market via using foreign aid policy India managed to export industrial goods to her periphery but with limited success.³²¹

The other option regarding to the balance of payments was the reduction of imported goods, which was not the case both for Turkey and India, mainly owing to the adopted development policy and consumption patterns of the people. Both the agricultural and industrial development policies required huge amounts of importation, which increased their dependence on the center countries. What aggravated their situation with respect to the foreign exchange reserves was the unwise exhaustion of available resources via importation of luxury goods. Besides, the Cold War context and created tensions led to considerable increase in defense allocations, which were again led to great amounts of importation. In

³²⁰ Anne O. Krueger, *Foreign Trade Regimes and Economic Development: Turkey* (NY: National Bureau of Economic Research, 1974), p.180.

³²¹ *Journal of Indian Constituent Assembly Debates*, 1948-49 FY Budget Debates, 28 February 1948, p.1329; *Journal of Indian Constituent Assembly Records*, 1949-50 FY Budget Debates, 3 March 1949, p.1036; General Budget Debates, 22 March 1954, p.2705; *Journal of Lok Sabha Records*, Debates on General Budget, 29 February 1956, p. 1185; Presentation of the General Budget, 28 February 1958, p. 3011, 3032; Confidential Security Information FY 1954 Program of USA: India, RG 469, Records of the Agency for International Development and Predecessor Agencies, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-4; *Report on the Indo-American Development Program: The Problems and Opportunities* by Chester Bowles, 5 March 1952, RG 59, Confidential US State Department Central Files, Decimal Files, Microfilm, Reel 28 of 100, University Publications of America, Maryland; *Journal of Lok Sabha Records*, Debates on General Budget, 15 March 1966, p. 5657-8; Ashok Kumar Seth, "Debt Crisis, Economic Restructuring and Emerging Scenario", p.104, 107; Ahluwalia, "Contribution of Planning to Indian Industrialization", p.280; M. Khusro, *Unfinished Agenda: India and The World Economy* (Delhi: New Age International Limited, 1994), p.58; Sukhatme, "Assistance to India" p.215; Nageshwar Pandey, "An Appraisal of Western and Soviet Aid" in *Indo-Soviet Cooperation and India's Economic Development*, ed., R.K. Sharma (New Delhi: Allied Publishers, 1984), p.43; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.260-2; Kumar, *State and Society in India: A Study of State's Agenda-Making, 1917-77*, p.92, 123; Sethi, *Indian Economy Under Siege*, p.36; Bettelheim, *India Independent*, p.296; Alagh, *Indian Development Planning and Policy*, p. xv; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.64; Acharya, "Concept of Development and Underdevelopment in the Indian Context", p.98.

addition to these, in the Indian context the increased foodgrains importation as well as high defense allocations served to the intensification of the balance of payments problem.

However, foreign trade level was not the sole determinant of the balance of payments problem. In the scope of foreign aid regime, conditions of the extended loans or engaged alliances or partnerships had impacts on the rate of deterioration. Schick & Tonak point out that the process that led to the indebtedness of the LDCs had a more or less cyclic repetition. The process commenced by an experiment in “free trade” and failure of this free trade experiment resulted in a set of “symptoms” such as balance of payments deficits, gradual imposition of restrictions on foreign trade insufficient to reverse the trend, a reluctant enforcement of International Monetary Fund (IMF) prescriptions parallel to the deepening of the crisis. These prescriptions were in fact bore the seeds of the following crisis due to their conditions of the lifting of restrictions and the liberalization of international trade as well as capital movement. The received aid created a period, a short-term cure of the crisis, which is followed by reappearance of problems caused by IMF’s prescriptions.³²²

Both Turkey and India’s experiment fit into this scenario. Following its entrance to the foreign aid policy of the superpower of the capitalist world bloc, in 1947 Turkey began to liberalize its foreign trade regime. However, the era that could be defined as the “free trade” era was 1950-53 era, that is the agricultural boom years. This short free trade experiment terminated when the exportation resources dropped and Turkey faced the problem of balance of payments deficit.

³²²Irvin C. Schick and E. Ahmet Tonak, “The International Dimension: Trade, Aid, and Debt” in *Turkey in Transition: New Perspectives*, eds., Schick and Tonak, p.334.

In the Indian context, these sorts of demands were particularly raised at the most vulnerable times of the country, namely in search of additional aid allocations. During the negotiations for additional foreign aid when India faced foreign exchange shortage and economic crisis these agencies conditioned aid to liberalization in foreign trade and devaluation of the rupee. The latter was justified on the grounds that it made the Indian export goods cheaper and led to demand increase to these products. The Indian example proved the inaccuracy of this assumption. While devaluation did not help an increase in exports, it increased the country's debt amount.³²³

The process resulted in heavy indebtedness of Turkey and India to center countries. This was to a degree that the received aids were used not for productive ends but for the repayment of previous loans. In both countries workers' remittances obtained from those who worked abroad delayed the debt crisis for few years, but in the late 1970s both faced the debt crisis.

This brief analysis sheds light on the vicious circle that most of the LDCs faced. This also indicates the limits of the power and influence of the political elite. Whatever its decision, the pragmatic and shortsighted interest-oriented domestic groups as well as center countries which protected their medium- and long-term interests by developing mechanisms to keep the LDCs in their places in the international division of labor were at force against the priorities as well as national interests.

In sum, under the interplay of various forces both inner and external, outcome of the development policies was chronic indebtedness as well as pseudo-development of Turkey and

³²³See Payer, *The Debt Trap: The IMF and the Third World*; Sukhatme, "Assistance to India" in *Aid and Development*, eds, Krueger, Michalopoulos, Ruttan; Sumit Ganguly, "US-Indian Relations During the Lyndon Johnson Era" in *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, eds., Gould and Ganguly; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*.

India. Distinguished features of this pseudo-development were relatively high economic growth, dual society, regional disparities, increased unemployment and underemployment as well as increased injustice in the distribution of income. These features also indicated the failure of not only the trickle down principle but also the main assumption of the US foreign aid policy.

In order to diagnose the impact of inner and external dynamics to this outcome, in the following chapters first the ruling elite coalition as the fundamental inner dynamic on the reallocation of resources, emasculation of various policies and manipulation of existing circumstances are analyzed. The last chapter covers the examination of the interactions between the peripheral aid recipient country and the superpower with respect to the latter's impact on the development course of the aid recipient country.

CHAPTER III

INNER DYNAMICS: THE RULING ELITE COALITION

I. Ruling Elite Coalition of Turkish Republic, 1923-73

Foundation of the Turkish Republic indicated the recomposition of the ruling elite coalition. By the adopted secularism and ousting and expelling of the Ottoman dynasty members, the ruling elite coalition of the Turkish Republic comprised the political elite, the military and civilian bureaucracy, landed notables and trifling trade capitalists. In the re-composition of the elite coalition during the Republican era, which lacked the dynasty and the ulema, while the bureaucratic cadres represented the continuity with the Ottoman past, the landed notables and trade capital were the new components. Yet this composition was incomplete due to the lack of big capitalists. Relying on and supporting the existing elite groups, policy makers of the new Republic designed their nation building process on policies of creation of big capitalists who would be under the surveillance of the political elite and bureaucratic cadres.³²⁴

In the words of the Founding Father of the Turkish Republic, Mustafa Kemal Atatürk there were not any classes in the country as the country lacked the necessary dynamics for these classes. In this context, creation of national capitalists by the State support was defined as a policy to prevent Turkey's exploitation.³²⁵ The nation building process shaped by this vision witnessed various changes in the ruling elite coalition with respect to preponderance of various components within the coalition. The most important domestic intervention with this

³²⁴See Çağlar Keyder, *Ulusal Kalkınmacılığın İflası* (İstanbul: Metis Yayınları, 1993); Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.157; Boratav, *Türkiye İktisat Tarihi 1908-1985*, p.46-47; Şerif Mardin, "Turkey: The Transformation of An Economic Code" in *The Political Economy of Income Distribution in Turkey*, eds., Özbudun and Ulusan, p.25.

³²⁵Doğan Avcıoğlu, *Türkiye'nin Düzeni: Dün-Bugün-Yarın* (İstanbul: Tekin Yayınevi, 1987), p.352.

preponderance was the Military Coup of 1960 that led to the recomposition of the ruling elite coalition.

Examination of the interaction between these components revealed that various factors both external and domestic were in force in this interaction. Though the rhetoric gave the impression that interaction between the components of the ruling elite coalition was shaped by internal dynamics, it was never free from the influence of external dynamics. In the framework of the foreign aid policy, the center countries acting as the impetus in shifts in the locomotive sector and adoption of the planned development contributed to the preponderance of landed interests, industrial capitalists as well as the civilian bureaucracy respectively. In addition to the influence of the center countries and interplay of the components of the elite coalition, the mass stood as an important internal dynamic as it was the silent witness of the discrepancies between the envisioned welfare society and the unsatisfying outcomes of the pursued development policies. Failure of the political elite to undertake the required precautions regarding the structural problems of the economy and the ability of the elite groups to preserve and reinforce their interests in the regime were in most cases at the expense of the mass. In its evolution from the *umma*, subject of the ruler to the electorate, the mass witnessed the political elite's increasing appeal to them. Yet in most cases, this appeal was for the sake of saving the day without touching the core of the problems that the mass suffered.

In this section, first the interaction of the ruling elite and the mass is analyzed in order to reveal the process that led to the discrepancy between the rhetoric and practice for economic and social development. Following this, the interaction between the ruling elite components is analyzed as to diagnose how the confronting components manipulate the process for their own

sake. The analyzed policies are limited to those which affected the development policies and domestic savings such as taxation, incentives.

Interaction between mass and the ruling elite coalition

Realities of Turkey in the post-WW2 era did not fit into the vision that Turkish policymakers depicted in the initial years of the independence. Although progress was seen in some areas, in the midst of shortage of financial, technical and human capital, endeavors for economic development failed to challenge the backward structure of Turkey. Consequently, in the late 1940s Turkey was an underdeveloped country with respect to the life longevity, calorie per take, literacy level of the population, predominance of agriculture in its economy and accessibility of the basic services such as education, health and justice, distinguished by poverty and backwardness. As the basic criterion of underdevelopment both the economic growth rate and national per capita was low. Keeping a mobilized army posed a great burden on the weak Turkish economy not only with respect to obligatory expenses for this mobilization but also with respect to the absorption of productive labor force under arms. In order to feed the army the political administration had to adopt restrictive policies, which made the life unbearable for the population the majority of whom lived in rural areas. As the main economic activity people involved in agriculture distinguished by low productivity and subsistence in character. In most cases, the population barely fed itself. Due to malnourishment and inadequacy of health services the life expectancy at birth was low.³²⁶

³²⁶See Ergun Özbudun, ed. *Atatürk Founder of A Modern State* (London: Hurst and Company, 1997); Walter F. Weiker, *The Modernization of Turkey: From Atatürk to the Present Day* (New York: Holmes and Meier Publishers, 1981); Memoirs of Files, Intelligence File. OSI- IS Reports, Enclosure C; Papers of Clark M. Clifford, Department of State, Harry Truman Library, Student Research File, Folder: Truman Doctrine and Begging of Cold War, 1947- 49.

This was contrasting with the official rhetoric in which the Founding Fathers defined peasants as the master of the nation. Excluding a minority, peasants did not enjoy mastership. In contrast to the fact that they comprised the majority of the population, they were the ones who were not considered as a priority for the development policies of the country. The industrialization drive of the 1930s had an urban bias and orientation. The scarce resources were earmarked to industrial establishments and public works which were not directly connected to the prevailing circumstances in rural Turkey. The policymakers justified this bias and the neglect of agriculture by referring to the importance of rapid industrialization to attain self-reliance and genuine economic independence. Yet the peasants faced the dilemma when the locomotive sector of the development was shifted from industry to agriculture. As already seen in the previous chapter in the 50s, though the locomotive sector was agriculture, the majority of the rural population was again excluded as the program was oriented towards the commercialized farmers who had big land plots.

As a result of the adopted policies the commercialized farmers enjoyed quick profits. In contrast, policies concerning the plight of the peasants were doomed to end in inconclusive debates without much concrete implementation and outcomes. Examination of the process revealed that regardless of the benefits that peasants in particular, and the country in general, could have enjoyed, when the policies challenged the interests of the elite groups the ‘master’ of the nation was sacrificed. This was true not only for the peasants but also for the mass in general. There were numerous policy debates and recommendations where the interests of the mass and the elite group(s) were at stake and the latter successfully prevented or watered-down these policies.

The Founder of the Republic referred to this interaction between the mass and the elite groups when he explained the reason why the peasant problems could not be the high priority policy of the new Republic. Atatürk explained the impossibility of such a high prioritization by referring to the dynamics in terms of interest groups whose hatred would be aroused in case the priority was given to the peasants' problems.³²⁷ In the following pages some of the basic issues which were related to the domestic savings and reallocation of resources and were reflected the interaction between the mass and elite groups are analyzed.

First of these issues was the land reform. As the majority of the population lived in rural areas proponents of this issue regarded this as crucial for the country. The first concrete initiative on this issue during the World War II era was the Land Distribution Law of 1945. Launched at a time of great confrontation between the political elite and trade capital and rural elite, this law stood as a watershed concerning the issue which indicated the commencement of a process with an inconclusive end. The immediate outcome of this law was the crystallization of the confrontation between the political elite and trade capital and rural elite that found its expression in the establishment of the DP. Commercialized large landowners and supporters of this elite group founded the Party. Regarding the initiative against private property, opponents of the legislation defined it as a measure that could destroy the existing order in rural Turkey.³²⁸

In the face of this unified criticisms against the legislation, the political elite tried to slow down the process by appointing a large landowner, Cavid Oral as the Minister of Agriculture who acted as a factor easing the emasculation of the legislation. By preparing a legal

³²⁷Quoted from Soviet Diplomat Arolov's *Memoirs* in Avcioğlu, *Türkiye'nin Düzeni: Dün-Bugün-Yarın*, p.352.

³²⁸Eroğlu, *Demokrat Parti: Tarihi ve İdeolojisi*, p.9-10; Mardin, "Turkey: The Transformation of an Economic Code", p.59.

arrangement, the Minister made the land distribution through expropriation from private holdings nearly impossible. The considerably small amount of distributed land within the framework of this legislation was mainly the treasury land. While 97 % of land belonged to this category, remaining 1.5 % was endowment and municipality lands with very small proportion of private lands. Out of the total distributed land a considerable amount was the pastures, a factor that would also affect the animal husbandry.³²⁹

Following the Land Distribution Law of 1945, land reform was on the agenda of nearly every government until 1973.³³⁰ The rhetoric on the vitality of the issue had different aspects including its being a precondition for high agricultural productivity, a necessity of social justice, and an obligation in the transformation of the fragmented land plots into economically viable units that would lead to the development of capitalist relations in rural Turkey.³³¹

The rhetoric on the necessity of the land reform by referring to various aspects of its benefits prevailed until 1973. By that date the debate on the land reform was legally ended up by the rationale that arrangements under the name of agricultural and land reform was against the Constitution. Instead of an overall legislation, the enforced legislation on the issue restricted agricultural and land reforms to irrigatable lands. Though various factors were at force, one of the most important factors that paved the way to this end was the radicalization of the

³²⁹See May, June 1945 *Journal of TBMM Records*, Term VII, Volume 17, 18, Meeting 2; *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 30 December 1947, Budget Debates of Agriculture Ministry, p.766-7; *Journal of TBMM Records*, Term VIII, Volume 16, Meeting 3, 27 February 1949, p.856; Hikmet Bila, *CHP:1919-1999* (İstanbul: Dogan Kitap, 1999), p.105-7.

³³⁰Program of First Saka Government, 13 October 1947; Program of Third Menderes Government, 24 May 1954; Program of Fourth Coalition Government, 26 February 1965; Program of Second Demirel Government, 3 November 1969; Program of Second Coalition Government, 25 June 1962.

³³¹Program of the Second Coalition Government, 25 June 1962; Program of the First Demirel Government, 27 October 1965; Program of the Second Erim Government, 13 December 1971; Program of Melen Government, 29 May 1972; Program of Talu Government, 20 April 1973; *Journal of TBMM Records*, Term IX, Volume 20, Meeting 3, 20 February 1953.

peasants. Their radicalism revealed in the land invasions as well as meetings for more equitable land distribution. Regarding this as a great challenge not only to the interests of the rural elite but also to the order, the elite groups concluded that debates on the land reform contributed to the flourishing of this radicalization as it increased the expectations of the peasants.³³² As Boratav points out by this conclusion Turkey remained one of the few countries that could not realize its land reform among the countries which gained their Independence by an Independence War.³³³

The crucial question regarding the issue was the factors that led to this inconclusive end. Examination of this indicated successful maneuvers of the landed interests, powerful position of the rural elite and existence of a sort of elite solidarity vis-à-vis the mass that led to emasculation or prevention of any initiative on the issue.

In addition to launching successful anti-land reform movement in the Parliament, the rural elite also exploited loopholes in the land reform legislation and by relying on their power at local politics they promoted an appropriate environment for the fake implementation of any initiative. When the implementation of land ceilings issue was brought to the agenda, as a precaution, these large landowners partitioned their lands among either their brothers or sons, which made them medium size landowners, at least on paper. As a result of this, there was hardly anybody who was affected by the legislation.³³⁴

³³² *Journal of TBMM Records*, Term II, Volume 34, Meeting 4, 23 February 1969, Budget of Ministry of Village Affairs, p.680; see Parliamentary debates of the late 1960s and early 1970s; Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p. 33-4, 36, 53, 93.

³³³ Boratav, *İktisat ve Siyaset Üzerine Aykırı Yazılar*, p.17.

³³⁴ *Journal of TBMM Records*, Term VIII, Volume 25, Meeting 4, 10 March 1950, p. 282; *Journal of TBMM Records*, Term II, Volume 28, Meeting 3, 10 June 1968, p.35; *Journal of TBMM Records*, Term VIII, Volume 13, Meeting 2, 18 February 1967, 1967 Budget Draft Debates, Ministry of Interior Affairs.

In this watering-down, the rural elite mainly relied on the support and collaboration of the political elite. The fact was that though every party at varying degrees adopted the rhetoric on the necessity of land reforms, there was a disguised consensus on not dealing with it seriously. The political elite developed various strategies for this emasculation including palliative time-spanning solutions, delays in the enactment of legislation and use of ambiguous language in legislation.³³⁵ Though these were the common strategies, DP and JP, which acted as the mouthpiece of landed interests and capitalists, differed from the RPP and reform governments by their exploitation of the Cold War context and ideological notions. At various times they identified land reform as an invention of communism that challenged and disregarded private property.³³⁶

The land reform issue also led to confrontations between the components of the elite coalition when other components of the ruling elite coalition such as industrial capital and military bureaucracy raised the issue. While the first regarded arrangement of land relations as a precondition of agricultural productivity that would lead to an increase in the incomes of the peasant population as well as demand for the industrial goods, the second defined it as a condition of social justice. While the political elite preferred to adopt a manipulating tone to avoid challenging the interests of the rural elite, which resulted in great discrepancy between paper work and practice of the arrangement, the military administration gave up its demand for the land reform.³³⁷ In contrast to the less aggressive and pressing attitude of the industrial

³³⁵Program of Third Menderes Government, 24 May 1954; Program of Third Coalition Government, 30 December 1963; Program of Fourth Coalition Government, 26 February 1965; Program of First Demirel Government, 27 October 1965; Program of First Erim Government, 26 March 1971; Program of Second Erim Government, 13 December 1971; Program of First Erim Government, 26 March 1971; Program of Second Erim Government, 13 December 1971; *Journal of TBMM Records*, Term II, Volume 17, Meeting 2, 11 May 1967; *Journal of TBMM Records*, Term IX, Volume 20, Meeting 3, 20 February 1953.

³³⁶As an example see *Journal of TBMM Records*, Term II, Volume 1, Meeting 1, 6 November 1965, Debates on the Government Program.

³³⁷*Journal of TBMM Records*, Term II, Volume 12, Meeting 2, 14 February 1967, p. 589; Henri Barkey, "Crises of the Turkish Political Economy:1960-1980" in *Modern Turkey: Continuity and Change*, ed., Ahmet Evrim

capitalists due to their anxiety about the possibility of repetition of the same challenge to their own properties in the form of confiscation of private property³³⁸, the military administration withdrew the policy suggestion in the face of a complex network of relations.³³⁹

The Village Institutes was another issue that led to ceaseless debates until their transformation into Teachers' School. Village Institutes were the byproduct of Turkey's peculiar conditions. When the political elite aimed to launch a nationwide higher literacy rate through expanding primary education, they faced the problem of teacher shortage, with required skills for the villages. This shortage resulted in the emergence of the concept, which was justified by the extreme backwardness of the country. The main premise of the concept was to train the village teachers in a manner that they could act as pioneering figures in the villages on various issues. The apparent success of the institutes was the increasing rate of literate citizens in rural areas. However, despite this success mainly due to the opposition of elite groups, the Village Institutes were officially converted into teacher schools in January 1954. Though they were converted by the DP administration, their emasculation commenced in the late 1940s during RPP administration by the overall modification of the curriculum that abolished the practical courses.³⁴⁰

The process that ended with the emasculation of the Village Institutes was crucial to reveal the elite group's high consciousness and sensitivity to preserve their dominating status vis-à-vis the mass. Though the leading opponent group was initially the rural elite, in the process,

(Opladen: Deutschen Orient-Institute, 1984), p.57; Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.177-9.

³³⁸Barkey, "Crises of the Turkish Political Economy:1960-1980", 57.

³³⁹Kemal Karpat, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, (Leiden: E.J. Brill, 1973), p.125.

³⁴⁰Şerafettin Turan, *İsmet İnönü: Yaşamı, Dönemi ve Kişiliği* (Ankara: Türk Tarih Kurumu, 2000), p.195-6, 201; Ali Arayıcı, *Kemalist Dönem Türkiye'sinde Eğitim Politikaları ve Köy Enstitüleri* (İstanbul: Ceylan Yayınları, 1999), p. 268-9, 285; Eroğlu, *Demokrat Parti: Tarihi ve İdeolojisi*, p.104-5.

the civilian bureaucracy and capitalists also joined to the anti-Institute rally due to their anxiety that their interests were also at stake.

The rural elite attacked the Institutes on various grounds, such as creation of class difference by the government due to its discrimination by favoring children in rural areas and ‘extreme’ empowerment of graduated teachers by their endowed ‘authorities’. In contrast to the basic motive behind the concept of Village Institutes regarding promotion of equality of opportunity for rural population in education, the opponents claimed that these Institutes were against the equality and *Populism (Halkçılık)* principles of the Constitution.³⁴¹ They also successfully exploited the Cold War context by claiming that these Institutes were communism nests on the grounds that their education program reflected the communist ideology. In the anti-Communist trial, some administrators and teachers of the Institutes were accused of being extreme leftist, and “even Marxists.”³⁴²

What led the large landowners to such an anti-Village Institute rally was their anxiety due to the rising consciousness and capacity of the peasants, which would challenge their predominant status in rural Turkey. In expressing their anxieties, the rural elite tried to get the support of other components of the ruling elite coalition by raising the possibility of destruction of private property. The rural elite succeeded since this was the issue on which all the elite groups were highly sensitive. The rural elite claimed that by destroying the private property, the institute graduates were aiming to attain the objective of establishment of a proletarian dictatorship.³⁴³

³⁴¹Turan, *İsmet İnönü: Yaşamı, Dönemi ve Kişiliği*, p.197-8.

³⁴²Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p.104-5; Arayıcı, *Kemalist Dönem Türkiye’sinde Eğitim Politikaları ve Köy Enstitüleri*, p.85.

³⁴³Statements of Emin Sazak, *Tanin*, 25 December 1946.

Bureaucratic cadres, on the other hand, comprised the other opponent group in the anti-Institute rally. In contrast to the rural elite and capitalists who were anxious about the possibility of abolition of private property, the bureaucratic cadres concern was related to authority. They were also anxious that the rising consciousness might lead to a challenge of the deep-rooted hierarchy and the common submission of the mass to the central administration. They regarded some aspects of the Institutes, such as appointment of the young teachers and students to administrative positions, as being against the traditions and accepted practices of the nation.³⁴⁴

These were the policies, which were prevented by the elite group due to their anxiety that as a result of these their dominant stance vis-à-vis the mass would be challenged. In addition to these, there were other issues in which the ruling elite successfully used the mass for their own ends. For example, without benefiting from various schemes such as credits and subsidies, the mass was used for the justification of these.

Bank credit was one of the crucial policies in the resource transfer from the public to the private sector. The problem with this transfer was the fact that these policies mostly fostered the nonproductive sectors of economy owing to the elite groups' desire for quick profits. Examination of the government programs including the military administration of 1960-61 revealed that the governments had conformity with earmarking of the bank credits to productive fields, production, employment generating activities, as well as the necessity of

³⁴⁴Feridun Fikri Düşünsel's views quoted by Arayıcı, *Kemalist Dönem Türkiye'sinde Eğitim Politikaları ve Köy Enstitüleri*, p. 270.

developing a control mechanism to discourage utility of these credits in speculative areas³⁴⁵, yet without much success.

The 1950s stood as a tidemark with respect to the bank credits as there was a tremendous increase in the credit amounts. Critical of the previous administration because of the high interest rates that discouraged the use of credit, the new administration made arrangements accordingly. In comparison to the credit for infant industrial establishments, agriculture enjoyed a tremendous increase in the bank credit amounts consistent with the adopted agricultural modernization program that necessitated huge substantial agricultural inputs. In three years time increase in the agricultural credit exceeded 300 %. ³⁴⁶

The proportion of the bank credits with respect to the size of the land holdings revealed that the political administration devised the credit schemes to solve the low capital accumulation problem of the rural elite, in contrast to the populist appeal to the mass. Large landowner orientation of the credits was inherited from the RPP era. Conditions of the credit schemes, on the other hand, automatically excluded the majority of the rural population similar to this group's exclusion from the agricultural modernization program. In the initial stages, those whose land property was 600 decares were regarded as eligible for the credits. Later this ownership requirement was reduced to 300 decares. But still this excluded the majority of the rural Turkey, which was distinguished by dwarf size land plots.³⁴⁷

³⁴⁵Fifth Menderes Government, 4 December 1957; First Gürsel Government, 11 July 1960; First Coalition (8th İnönü) Government, 20th November 1961; Third Menderes Government, 24 May 1954.

³⁴⁶Memo of A Meeting About Agricultural Bank Credits to Farmers Buying ECA Equipment, 2 March 1950, RG 286 Records of the AID Mission to Turkey, NARA Subject Files, 1948-56, Folder: Agricultural Bank Credits; Program of the First Menderes Program, 22 May 1950; Program of the Second Menderes Government, 9 March 1951; Program of the Third Menderes Program, 24 May 1954; *Journal of TBMM Records*, Term IX, Volume 20/1, Meeting 3, 16 February 1953, p. 305; Uluhan, "Public Policy Toward Agriculture and Its Redistributive Implications", p.138.

³⁴⁷Memo from Hugh K. Richwine to Russell Dorr, Chief of Mission on Agricultural Credit on Agricultural Credit, 13 January 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of

The agricultural credit program of the governments of the era had profound effects on the rural structure of Turkey. First the automatic exclusion of the majority strengthened the existing two-fold credit structure emerging in Turkey in either an organized or unorganized manner. While Agricultural Bank, agricultural credit and sales cooperatives made up the organized part, it was dealers and moneylenders that comprised the unorganized section of these agencies. This strengthening process also served the acceleration of the differentiation in rural social structure due to a widening of the gap between the majority and the minority. The small landowners and landless laborers had to take loans from the credit receivers with extraordinary high interest rates.³⁴⁸

The problematic aspect of these credits for the mass in a resource scarce country was their use for speculative, and not for productive ends. Besides, the political elite's responsiveness to the elite group's demand for bank credits had negative impacts on the economy of the country. Even in the midst of shortage of public resources, the political elite was able to get extended credit by emission, which resulted in inflation.³⁴⁹ The development was adverse to the justification of the bank legislation modifications, which relied on the assumption that easy credit led to the growth of productive sectors of the economy.³⁵⁰

With respect to this form of resource transfer the 1960s indicated another turning point as the holding companies under the grip of monopoly capitalist began to establish new banks or took

Mission, Subject Files 1948-56; Charles K. Mann, "The Effects of Government Policy on Income Distribution: A Case Study of Wheat Production in Turkey Since WW2", p.222-3

³⁴⁸Confidential Member Report No. 9 on Turkish Agriculture, (Barker Mission to Turkey), 15 October 1950, RG 286, Records of the AID Mission to Turkey, NARA, Classified Subject Files; Uluhan, "Public Policy Toward Agriculture and Its Redistributive Implications", p.130.

³⁴⁹Stefanos Yerasimos, *Az gelişmişlik Sürecinde Türkiye: I. Dünya Savaşından 1971'e*, (İstanbul: Gözlem Yayınları, 1976), p.1403.

³⁵⁰Program of the Third Menderes Program, 24 May 1954; *Journal of TBMM Records*, Term X, Volume 10, Meeting 2, 20 February 1956, 1956 Fiscal Year Budget Debates, p. 326; *Journal of TBMM Records*, Term X, Volume 10, Meeting 2, 21 February 1956; *Journal of TBMM Records*, Term X, Volume 10, Meeting 2, 20 February 1956, 1956 FY Budget Debates, p.362.

over the existing banks. In contrast to the trend which commenced in the 1930s, where the big industrial capital held high rank positions and shares in various banks, in the 1960s this group preferred ownership. By bank ownership these monopoly capitalists reinforced their manipulative influence on the economy as they guaranteed cheap deposits and reimbursed at levels well below inflation. As a consequence, these big holdings had the opportunity to expand more extensively since they provided the finance internally.³⁵¹

Another efficient way of transferring public resources to private sector was subsidies. In Turkey, subsidies in agriculture were in the form of high support prices and provision of modern inputs, particularly tractors, and the development of roads and infrastructure in agriculture. In the framework of industry, provision of required inputs produced by the State Economic Enterprises (SEEs) was cheaper than the production cost and free or cheaper infrastructure was the main subsidy. Their impact on the economy was deficit in budgets and higher inflation rates mainly due to their being indirectly financed by the Central Bank. In late the 1960s the proportion of subsidies was so great that even the major proponents declared that Turkish economy could not survive by these subsidies since “no money would be left for investments”³⁵² With respect to the world market, on the other hand, this situation challenged the competitiveness of the agricultural exported goods as the governments tended to reflect subsidies on the export prices in order to meet the budget deficit.³⁵³

³⁵¹Huseyin Ramazanoglu “The Politics of Industrialization in A Closed Economy and the IMF Intervention of 1979” in *Turkey in the World Capitalist System*, ed., Ramazanoglu p.84; Geoffrey Lewis, trans. *The Life of Hacı Ömer Sabancı* (Walden: World of Information, 1988), p.93; Sakıp Sabancı, *This is My Life* (Saffron Walden: The Bath Press, 1988), p.47; Henry, *The Mediterranean Debt Crescent: Money and Power in Algeria, Egypt, Morocco, Tunisia and Turkey*, p.47-8; Mustafa Sönmez, *Kırk Haramiler: Türkiye’de Holdingler* (Ankara: Arkadaş Yayınevi, 1987), p. 26-7,72.

³⁵²*Journal of TBMM Records*, Term III, Volume 1, Meeting 1, 10 November 1969, p.156

³⁵³*Confidential Member Report No.9 on Turkish Agriculture* (Barker Mission to Turkey) by L.E. Kirk and William H. Nichols, 15 October 1950; Memo of Conversation between Muntaz REK, Director General, TMO and Gideon Hadary, 27 March 1952 on Grain Movement, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56; Memorandum on Grain Purchasing Program from Francis M. Coray, Food and Agriculture Officer to Henry W. Wiens, Acting Deputy Chief of Mission, 21 May 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56; Memorandum from W.H. Pine to Hugh K. Richwine, Food and Agriculture

Usage of subsidies for political ends commenced in the DP era and expanded by its successors. Agriculture subsidies began to be widely used as a part of government policy in the 1950s. Their scope was widened in the process by the successive governments, particularly the JP. In contrast to the 1950s, when they covered mainly cereals, their scope was expanded to various agricultural products such as tobacco, cotton, grain, tea and other animal products.³⁵⁴ Though justified as a policy for the improvement of the lot of the peasants³⁵⁵, main beneficiaries of the subsidies were the commercial farmers and intermediaries who bought the crops in the field at cheaper rates owing to the general indebtedness of the peasants. Thus, subsidies were defined as a factor that accelerated the differentiation in the rural social structure.

The supply of subsidized inputs to industrial establishments, on the other hand, was particularly applied during the planned era. Though during the previous era flow of various resources under incentives and bank credits were the case also³⁵⁶, the planned era offered more opportunities owing to the increased domestic production of the industrial goods as well as the pursued policy of ISI. It was widely used during the Second and Third Five Year Development Plans prepared by JP governments. By the adopted policy, the scope of the subsidies reached such a degree that the public sector's function in the economic system was limited to being only a supporter of the private sector.³⁵⁷

Officer on Farm Equipment Program, 26 March 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56; Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.343, 346; Boratav, *Türkiye İktisat Tarihi 1908-1985*; George S. Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71* (Washington,D.C: Hoover Policy Study, 1972), p.71; Schick and Tonak, "The International Dimension: Trade, Aid, and Debt", p.341; Keyder, "The Political Economy of Turkish Democracy", p.43; Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p.101; Üstün Ergüder, "Politics of Agricultural Price Policy in Turkey" in *The Political Economy of Income Distribution in Turkey*, eds., Özbudun and Ulusan, p.171.

³⁵⁴ *Journal of TBMM Records*, Term III, Volume 2, Meeting 1, 3 February 1970, p.717; Boratav, *Türkiye İktisat Tarihi 1908-1985*, p. 101.

³⁵⁵ *Journal of TBMM Records*, Term III, Volume 1, Meeting 1,10 November 1969, p. 156

³⁵⁶ Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.71.

³⁵⁷ Boratav, *Türkiye İktisat Tarihi 1908-1985*, p. 101-2.

The cost of these subsidies was very high for the mass as they led to deficits, deficit financing, high inflation rates as well as lower share in the world market depending on the higher costs of the goods increasing due to reflection of subsidies to the prices of the exported goods. Another important factor that affected the development level of the country was lack of resources for investment since subsidies absorbed the available resources. This last impact was a concrete proof of the distorted priorities of the political elite. Instead of permanent solutions, they preferred palliative ones that narrowed the vicious circle of the country, which was distinguished by resource scarcity.

The last issue that revealed the contradictory interests of the mass and the elite groups was taxation. The US foreign aid policy in the post-WW2 era was justified by relying on the distinguishing feature of the LDCs, namely low domestic savings. Taxation was the main source of domestic savings; however, inability to develop an efficient taxation system vis-à-vis the resistance of the elite groups deprived the LDCs to increase the domestic savings. Turkey was not an exception in this respect, as revealed by the disproportion between the indirect and direct taxes. In the process, in contrast to the decrease in the proportion of direct taxes, proportion of the indirect taxes to be paid by the mass increased. This was the fundamental indicator of an unequal tax system prevailing in Turkey.

The debate on the taxation of agricultural income prevailed under successive governments. As a result of various arrangements agriculture became virtually free from direct taxation, except the low property tax, in the late 1940s.³⁵⁸ By legislation no 193, from 1 January 1961 onwards the agricultural income was also included in the Income Tax. Implemented first in 1963, this

³⁵⁸Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p. 349; Mardin, "Turkey: The Transformation of an Economic Code" p.58.

legislation was far from meeting the expectations. As a consequence of the successful exploitation of the prevailing loopholes in the legislation, in contrast to the expected total of 100 million, the accumulated amount was only 30 million TL. Disappointed by this outcome, the Government arranged some new and regular taxes, as well as narrow tax exemptions, to increase the number of taxpayers.³⁵⁹

Analysis of the course of events regarding improvement in the tax system reveals the continuity in the logic and strategies of resistance disregarding the political elite. Lack of realization of the frequently raised tax reform was not due to the unsatisfactory performance of a party; instead it was due to the power of the resistance against many of these arrangements. Appraisal of the periods revealed that rhetorical sensitivity of the parties was aroused when they were in opposition since it was then that they acted as mouthpieces of all segments of the society. However, when they came to government, they did the reverse of what they had advocated in the opposition.³⁶⁰ The most important premise of these elite groups in emasculating these policies was their ability to have and find advocates in the Parliament.

The tax reform issue was one of the most trendy issues of the post-war era. Commencing in 1947, this unsuccessfully dealt issue was justified and supported by referring to its being a necessity for social justice³⁶¹ as well as to its means of financing the development plans of the country.³⁶² While the taxation system's injustice was mostly defined by the disproportion of

³⁵⁹ *Journal of TBMM Records*, Term I, Volume 27, Meeting 3, 18 February 1964, p.49; *Journal of TBMM Republican Senate Records*, Term I, Volume 3, Meeting 1, 27 February 1962, p.74-5.

³⁶⁰ See DP's criticism of the increase of indirect taxes in opposition, then adopted the same measures in government, in *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 26 December 1947, 1948 Budget Draft and Budget Commission Report, p. 294.

³⁶¹ See, *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 26 December 1947, 1948 Budget Draft and Budget Commission Report, p. 354; *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 28 December 1947; *Journal of TBMM Records*, Republican Senate, 3 February 1962; *Journal of TBMM Records*, Term II, Volume 14, Meeting 2, 21 February 1967, Trade Ministry Budget debates.

³⁶² *Journal of TBMM Records*, Term II, Volume 9, Meeting 2, 16 December 1966.

the indirect taxes to direct taxes,³⁶³ the other dimension of this injustice was explained by the disproportional share among the economic sectors such as the exceeding share of services sector compared to the agriculture and industry sectors.³⁶⁴ The importance of the rise in the tax revenues was explained with reference to the country's high dependence on foreign countries and her high vulnerability due to this dependence.³⁶⁵ Particularly during the planned era, requirement of new tax arrangements were justified by referring to the necessity of reducing the country's dependency on foreign credits to attain the desired economic development.³⁶⁶

Vulnerability of the political elite vis-à-vis other elite groups that shaped its inability to develop efficient tax system was apparent in various events. The most striking among them was the sharpening confrontation of such groups on the Capital Levy Tax.³⁶⁷ Despite its enactment by the political elite it was successfully emasculated to a degree at the end of which target groups of the tax remained untouched. Yet levy of this tax had more far flung impacts on the ruling elite coalition since, along with the Land Distribution legislation, this tax legislation acted as an impetus for the capitalist and trade groups' "rebellion" against the political elite when they accelerated their endeavors to recompose the political elite. Concrete outcomes of these were the DP and its ascension to the power.³⁶⁸

There were various cases that revealed the 'loneliness' of the political elite vis-à-vis the elite groups who successfully exploited the differentiation among the legislative. Refutation of the

³⁶³See, *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 26 December 1947, 1948 Budget Draft and Budget Commission Report, p. 354; *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 28 December 1947; *Journal of TBMM Records*, Term II, Volume 14, Meeting 2, 21 February 1967, Trade Ministry Budget debates.

³⁶⁴*Journal of TBMM Records*, Term II, Volume 34, Meeting 4, 24 February 1969, Budget of Finance Ministry.

³⁶⁵*Journal of TBMM Records*, Term II, Volume 9, Meeting 2, 16 December 1966.

³⁶⁶*Journal of TBMM Records*, Term II, Volume 14, Meeting 2, 26 February 1967, Income Budget Debates.

³⁶⁷Morris Singer, *The Economic Advance of Turkey: 1938-60* (Ankara: Ayyıldız Matbaası, 1977), p.12-3, 128.

³⁶⁸*Ibid.*, p. 97.

Income Tax Draft of 1950 that would have enabled the taxation of the agricultural income was possible by the collaboration of the RPP, the DP and the Nation Party (NP) deputies in the Parliament.³⁶⁹ In 1955, in search of alternative resources, the political elite submitted a bill to the DP group. Even without submitting it to the Parliament the DP group declined the bill.³⁷⁰ This was crucial as it reflected the encounter of the Party governing circles with the MPs of the Party.

Taxation of the agricultural incomes was the most debated issue related to the tax reform. While advocates of this taxation stress the social justice aspect, its negative impact on development endeavors was also emphasized. One of the debates regarding the tax reform had full conformity with what the second prevailing opinion suggested, that is inactivated tax reserves. In the debate, vitality of increase of domestic savings was explained as being the required additional financial resource for the implementation of the Plan. RPP had the belief that in the country there were still tax reserves that could be used for development financing. Top among this reserve was agricultural incomes.³⁷¹

This claim was countered by various mostly polemical views. Top among them was the use of small and poor landholders as pretext to preserve the interests of large landowners. These pretexts were countered by various proposals such as exemption of those who have less than 1000 acres. Facing this proposal, the anti-reformists raised the impossibility of defining the

³⁶⁹This was referred in *Journal of TBMM Records*, Term II, Volume 34, Meeting 4, 24 February 1969, Budget of Finance Ministry.

³⁷⁰*Ibid.*

³⁷¹*Journal of TBMM Records*, Term II, Volume 13, Meeting 2, 16 February 1967, 1967 Budget Draft Debates, p. 170.

criterion for agricultural taxation owing to the changing quality of the lands in different regions of the country.³⁷²

Agricultural income tax issue represented an interesting episode among the elite groups as it led to a confrontation between the rural elite and industrial capitalists. In the mid-1960s the industrial capitalists exerted pressure on the political elite for the taxation of agricultural incomes. The industrial capital regarded non-efficient taxation of the agricultural sector as a serious impediment to its development since it meant that the agricultural income was not transferred through taxation. Since their main concern was provision of resources for investment both private and public, as a source of capital they proposed taxation of agricultural sector.³⁷³

Arguing that the tax burden fell unfairly on industrialists and workers, the industrial capital demanded a comprehensive tax reform that would increase the share of taxes paid by the professional classes in addition to landowners and the peasantry. In the face of these increasing demands from the industrial capital, the political elite adopted a manipulating tone. As a result of all of these, by 1967, while the agricultural production comprised 40 % of the total production, the share of the direct taxes in agriculture was only 1 %. While 99 % of the agricultural population did not pay taxes, the level of the taxes paid by the remaining 1 % did not exceed the level of a small state official.³⁷⁴

³⁷² *Journal of TBMM Records*, Term VIII, Volume 6, Meeting 1, 16 June 1947, p.245, 307; *Journal of TBMM Records*, Term VIII, Volume 18, Meeting 3, 8 April 1949, p.214.

³⁷³ *Ibid.*

³⁷⁴ *Journal of TBMM Records*, Term II, Volume 12, Meeting 2, 14 February 1967, p. 589; Macit İnce, “Gelir Dağılımı ve Vergi Politikası”(Income Distribution and Tax Policy) in *Conferences 2* (Ankara: Sevinç Matbaası, 1971), p.220; Barkey, “Crises of the Turkish Political Economy:1960-1980” in *Modern Turkey: Continuity and Change*, ed., Evin, p.57; Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.177-9.

Similar to this, another tax manipulated by the politicians was the Income Tax. This was opposed either by tradesmen or representatives of the tradesmen in the Parliament. Those opposing this tax emphasized that this would endanger the survival of national tradesmen whose number was nearly none in the initial years of the Republic.³⁷⁵ In opposition to this DP and JP governing circles took the lead and acted as spokesman of the big capitalists, just as JP did in its opposition to the wealth declaration issue. In this opposition, the JP claimed that such a tax would create abstention among higher interest groups and this would result in impeding the investments. It also added, in a polemical manner, that such a declaration would lead to polarization in the society as those who declared wealth and those who did not.³⁷⁶

Therefore, as the fundamental pillar of the domestic savings, governments could not develop a just tax system in Turkey. Instead, as the increasing disproportion between the indirect and direct taxes revealed, an increasingly unjust tax system that “retarded economic development”³⁷⁷ became the outcome of the pursued policies. Comparison of the political parties’ sensitivity on the issue revealed that the DP and JP were the political parties who successfully led the development of counter arguments on agriculture and income taxes. The RPP ruling circles, on the other hand, adopted a more pressing stance on the issue. Only during their government period there were short periods when the proportion of indirect taxes decreased while direct taxes increased. Yet the opposition parties successfully rebuffed them.³⁷⁸

³⁷⁵ *Journal of TBMM Records*, Term VIII, Volume 18, Meeting 3, 7 April 1949, p.151.

³⁷⁶ *Journal of TBMM Records*, Term II, Volume 4, Meeting 1, Finance Ministry Budget Debates, 25 February 1966; *Journal of TBMM Records*, Term I, Volume 27, Meeting 3, 18 February 1964, 1964 Fiscal Year Budget Bill, p.49, 205.

³⁷⁷ Mutual Security Agency: Special Mission to Turkey for Economic Cooperation, May 2, 1952, RG 286, Records of the Agency for International Development Mission to Turkey, Office of the Chief of Mission, Classified Subject Files, 1948-56.

³⁷⁸ *Journal of TBMM Records*, Term II, Volume 1, Meeting 1, 7 November 1965, Debate on the Submitted Government Program; *Journal of TBMM Records*, Term II, Volume 1, Meeting 1, 6 November 1965; see also Singer, *The Economic Advance of Turkey: 1938-60*.

The brief analysis on the interaction between the ruling elite coalition and the mass reveals the latter's disadvantaged position due to the high costs that it had to pay for the sake of the elite groups. The latter's sensitivity on the preservation of its interests led to the sacrifice of the general well-being of the mass. While preserving its interests, the elite coalition in most cases preferred to avoid direct confrontation with the mass. Instead the mass was used as a pretext for the policies which served to the interests of the elite groups. As a balancing factor between the ruling elite coalition and the mass, the political elite, on the other hand, adopted a rhetoric that touched on the expectations and concerns of the mass. This was due either to its preferences or its circumscription by other components. Degree of this "circumscription" was crucial as it indicated that the interaction between the components of the elite coalition was not free from tensions and confrontations. In the next section, nature of the interaction between various elite groups and the degree of 'autonomy' that each group had vis-à-vis other components of the coalition are analyzed.

Interactions between the Components of Ruling Elite Coalition

Political Elite

The distinguishing feature of the era that lasted until post-World War II was the political elite's relative freedom in the policymaking owing to the weakness of other components vis-à-vis the political elite and absence of institutionalized interest relations that increased their bargaining power. The political elite who enjoyed keeping other components of the elite coalition under its control to a great extent, however, witnessed the weakening of its position vis-à-vis some components during and after the World War II owing to the empowerment of capitalists and rural elite by their successful exploitation of the wartime conditions.

In condemning the means which these components, namely “ex-swindler farm *aga*, the speculator tradesmen who even attempted to make even the air a tradable good if it was possible and few politicians who regarded all these problems as great opportunities in the midst of their political ambitions”,³⁷⁹ applied for their empowerment, the President of the Republic who was at the same time the Chair of the single party solidified the estrangement among the components. Viewed from this perspective, the recomposition of the political elite following the elections indicated the political elite’s incorporation with other components which indicated the readiness of the first group to accept the interaction between them in contrast to the past when the political elite did not leave much space for such a sharing of power in policymaking.

While the confrontation among the components of the ruling elite coalition was one determinant in this recomposition, the responsiveness of the mass for a change in the political administration was crucial for it also. Defining the election and its results as the rise of the mass, the new political elite touched upon the expectations of the mass who were previously regarded as a distant entity to be kept under control by the ruling circles. This approach was shaped by the top down administration understanding inherited from imperial past of the country. In that respect the populist rhetoric of the new political elite was meaningful as it represented a breakpoint from the past when the mass was the passive audience of the developments.³⁸⁰

As a result of the 1950 elections the policymakers who ruled the country for twenty-four years abandoned their posts to the newly elected ones. Though the latter was in the ruling political

³⁷⁹Bila, *CHP: 1919-1999*, p. 97-8.

³⁸⁰Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p.55; Keyder, “The Political Economy of Turkish Democracy”, p.39.

party they did not influence the policymaking process, as they did not belong to the inner circle of the Party. Only one of them, Celal Bayar, was very influential in policymaking and represented the national capitalist interests until the death of Ataturk. After his death, Bayar was successfully excluded from the inner circle by the maneuvers of Ataturk's successor, Ismet Inonu. Except him, other components in the political elite represented the potential elite who remained "out" of the inner circle and regarded the elections as an opportunity for their vertical rise.³⁸¹

Menderes who became the PM represented a vivid example in this respect. When his high school graduation was defined as an obstacle for his rise in the party, Menderes graduated from the Faculty of Law. However, in contrast to his expectations, his graduation did not lead to his involvement with the political elite. Instead, he witnessed that the RPP center was like a closed box, a place where a clique life endured and those who ruled were the ones who were invited to Ataturk's famous dinners. Discontented by the fact that he was not among these, Menderes, by personal experience grew aware of the harsh and distant limits of the Party hierarchy.³⁸² Therefore, the success that his party attained in the elections and that paved the way to his Prime Ministry which lasted a decade was a "mass revolution" for Menderes more than anybody else.

In a short while, consistent with the expectations of the empowered components of the ruling elite coalition, impact of the recomposition of the political elite concerning the preponderance of the components in the ruling elite began to be felt in rhetoric, policy and resource allocation. As the component which received the explicit support of the previous political

³⁸¹ Secret Paper entitled as Summary of Issues and Trends in Turkey, 15 October 1945-15 January 1946 prepared by Department of State, RG 59, Department of State, Miscellaneous Lot File, Office File of Harry N. Howard, UN Advisor, Bureau of Near Eastern, South Asian and African Affairs, 1940-57.

³⁸² Aydemir, *İhtilalin Mantığı ve 27 Mayıs İhtilali*, p. 237-8.

elite, the civilian bureaucracy faced the humiliating rhetoric regarding its existence and role in the system. On the other hand, owing to the conjuncture developments and shift in the locomotive sector, the landed notables began to enjoy their heyday in contrast to the previous era when their interests were sacrificed at various cases.

The era of the DP lasted for a decade and ended by the intervention of military bureaucracy on May 27, 1960. When the civilian administration was reintroduced in 1962 by the coalition government, the PM was the RPP leader and ex-President İsmet İnönü. Welcoming the arrangements of military administration which reinforced the stance of the civilian bureaucracy and increased the importance of the public sector, İnönü tried to govern the country with the least possible deviation from the established setting.

The structure of the RPP with respect to its elite group orientation remained the same until the late 1960s. İnönü proved to be the leader who had civilian bureaucracy orientation. However, this was challenged by the rise of new figures in the Party. When the RPP members preferred these new figures and endowed them with the tasks in the party ruling mechanisms, the RPP was oriented towards the public. In their support of the peasant movements and adoption of the motto “land to the tiller” these new figures portrayed the degree of the change in the Party’s outlook. Advocating this position, they underlined that the RPP abandoned evaluating things from the bureaucratic intelligentsia perspective. Instead, it began to evaluate them from the perspective of the public by the new policy of “left of the center.”³⁸³ This reconciliation of the RPP with the mass resulted in the separation of those who preserved the accuracy of bureaucratic intelligentsia perspective and denied the new wave as radical left. This new wave

³⁸³ *Cumhuriyet*, 6 July 1970 quoted by Suna Kili, *1960-75 Döneminde Cumhuriyet Halk Partisinde Gelişmeler* (İstanbul: Boğaziçi Üniversitesi Yayınları, 1975), p.261.

within the Party toppled İnönü from Chairmanship in the early 1970s. Before his death, İnönü who represented the bureaucratic intelligentsia tradition of the Party, resigned from the RPP.³⁸⁴

The RPP-led coalition government continued to govern the country until 1965 elections. By this election, the JP that claimed to be the inheritor of the DP ascended to power. Critical of the setting that was established by the military administration, the JP administration proved to be in the DP line in its disavowal of the bureaucratic mechanisms. The JP identified itself with the capitalists disregarding their differentiation and announced this by claiming that the JP was the party of all capitalists in the country. When in the process it failed to meet the expectations and demands of capitalist fractions and was compelled to make its preferences on behalf of the monopoly capitalists, this led to the departing of those who represented these fractions and to a formation of splinter parties such as the Democratic Party and the National Salvation Party.³⁸⁵

Rural Elite

For the rural elite the post- World War II indicated a new beginning with respect to its preponderance in the elite coalition, which that the political elite of the pre-war period denied to them. The rural elite was introduced to the ruling elite coalition of the country by the foundation of the Republic. While they gained a relatively strong position vis-à-vis the Ottoman central administration, the national movement and the new political order set up by the Republic offered them the opportunity that they envied for centuries.

³⁸⁴Ibid., p.362-3; C.H. Dodd, *The Crisis of Turkish Democracy, Second Edition* (Cambs: The Eothen Press, 1990), p.13; İsmet Giritli, *12 Mart ve Ötesi* (İstanbul: Hüsniyat Matbaası, 1971), p.15; Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, p. 1730.

³⁸⁵Ramazanoglu "The Politics of Industrialization in A Closed Economy and the IMF Intervention of 1979" in *Turkey in the World Capitalist System*, ed., Ramazanoglu, p.85; Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, p.1731-2; Dodd, *The Crisis of Turkish Democracy*, p.12.

Collaboration of the military-civilian bureaucratic cadres with the large landowners during the national movement was shaped by the needs of the day and, in a sense it was a break from the past. Though there were times when the Ottoman central administration established temporary alliances with the landed notables, these were not long-term alliances and were shaped mainly by practical reasons. These alliances were far from satisfying the ambitions and expectations of the landed notables. Though they got a certain degree of autonomy through these alliances they had never been a component of the ruling elite coalition. Exploiting the historical opportunity which the national movement offered them, the landed notables took their place while the ruling elite coalition of the country was recomposed by the foundation of the Turkish Republic.

In contrast to their expectations, however, during the period that lasted until the post- World War II era the political elite, along with the main bastion of the system, was not always responsive to the demands that the rural elite asked for. They did not enjoy a systematic support from the political elite which the civilian bureaucracy and capitalists enjoyed to a great extent. Instead through various arrangements, such as the Village Institutes, Land Distribution Law of 1945, and Soil Products Tax the political elite attempted to challenge their interests.³⁸⁶

The course of the events, however, changed by the favorable circumstances that World War II offered to them. Successfully manipulating the discontent of the mass with the system, the rural elite along with the capitalists led the counterattack against the RPP that was identified with the bureaucratic cadres and heavy regulations. The impetus that led to the formation of the DP as a political party, identified with the interests of the rural elite and national

³⁸⁶See Margulies and Yildizoglu, "Agrarian Change: 1923-70".

capitalists, was the proposed land reform. The leading figures of the DP were mainly commercialized farmers and large landowners. Owing to this formation, DP was the “revolt” of the empowered components, particularly the rural elite against the ruling political elite.³⁸⁷

However, the crucial fact that should be kept in mind, which was valid for other elite supporters of the DP also, was the situation that though the large landowners were crucial in the rise of the DP, this did not mean that all the large landowners or their representatives in the Parliament were in the DP ranks. Instead, the parties were an amalgam of all the elite components. Some of their representatives were also in the RPP. An example of this would be the Minister of Agriculture Cavit Oral who collaborated with the ones in DP ranks.

In addition to various policies favoring the rural elite such as high support prices, subsidized inputs, excessive amounts of bank credits as well as tax exemptions, the DP cancelled or emasculated various arrangements that challenged the interests of the rural elite such as the conversion of the Village Institutes to Teacher Schools, as has been discussed in the previous pages. The rural elite who was anxious about the idea of an educated peasant population opposed the Village Institutes on the grounds that their ultimate objective was to destroy the propertiership and creation of a “proletarian dictatorship.”³⁸⁸ These policies were justified as required policies to attain the national objectives of the country through production increase in agriculture. To this end, the political elite defined every means as appropriate since at the end

³⁸⁷Celal Bayar’s Speech, *Vatan*, 24 Ekim 1946; Keyder, “The Political Economy of Turkish Democracy”, p.37-8, 40; Keyder, “Economic Development and Crisis: 1950-80”, p.296; M. Emin Aydemir, *İhtilal Çıkmazı* ([yay.yer.]: Dünya Matbaası, 1967), p.149-50; Eroğlu, *Demokrat Parti: Tarihi ve İdeolojisi*, p. 57; Erkan Şenekerci, *Türk Devriminde Celal Bayar:1918-60* (İstanbul: Alfa Yayınları, 2000), p.192-3.

³⁸⁸Statements of Emin Sazak, *Tanin*, 25 December 1946; Turan, *İsmet İnönü: Yaşamı, Dönemi ve Kişiliği*, p.195-6, 201; Arayıcı, *Kemalist Dönem Türkiye’sinde Eğitim Politikaları ve Köy Enstitüleri*, p.285; Eroğlu, *Demokrat Parti: Tarihi ve İdeolojisi*, p. 104-5.

the country would attain self-sufficiency and join the ranks of advanced developed countries.³⁸⁹

Through these policies the political elite reinforced the rural elite's stance in the ruling elite coalition. Owing to the political elite's ceaseless support and unchanged attitude, the rural elite remained as the most devoted elite group that the DP relied on. Relations of the political elite with the rural elite were in full conformity during the DP era, except one event. In the mid-1950s when the political elite attempted to introduce taxes on agricultural income as well as making a reasonable increase in the Land Tax, these initiatives of the political elite received severe reaction of the representatives of the rural elite in the Party group. As a result, these proposals did not even come to the Parliament.³⁹⁰ This was an important confrontation which openly showed to the political elite the limits of their freedom in their dealing with the landed interests that they fostered through various mechanisms.

The important point that should not be undermined related to the rural elite was that its empowerment within the ruling elite coalition was not only due to the country's dynamics. The prevailing conjuncture also promoted a favorable environment for the rural elite. The USA's impact on the shift of the locomotive sector of the country in the 50s, the large landowner orientation of the agricultural development programs, and American experts policy recommendations for favorable credit terms to the large "progressive" landowners who had an enthusiasm to adopt new techniques were the main supporting mechanisms of the superpower

³⁸⁹*Journal of TBMM Records*, Term IX, Volume 20/1, Meeting 3, 16 February 1953, p.305; *Journal of TBMM Records*, Term X, Volume 10, Meeting 2, 20 February 1956; Program of the First Menderes Government, 22 May 1950; Program of the Second Menderes Government, 9 March 1951; Program of the Third Menderes Government, 24 May 1954.

³⁹⁰Secret Informal Record of Meeting with the Undersecretary prepared by W. Baxter, GTI, 28 April 1955, RG 84, Foreign Service Posts of the Dept of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

in the rise of the rural elite. Therefore it can be concluded that the priorities of the superpower correlated with the inner dynamics of the country.

This correlation, however, does not indicate a full conformity between the donor and the rural elite. The superpower of the capitalist bloc, which was also the main donor, and the rural elite often confronted on very delicate issues such as land reform, taxation and subsidies.

Land reform issue in particular represented the conceptual confrontation of the donor and the rural elite. Various official documents reveal the US administration's sensitivity on the issue. Though the officials also mentioned the poor lots and malnourished nature of the majority of the rural population owing to the inequalitarian land properties, their fundamental concern seems to have been the vulnerability of the "ill-housed, hungry, exploited and resentful" peasantry to the communist propaganda and the challenge that these poor people posed to the democratic systems and security. Accepting that the US Missions had a limited capacity in influencing the land reform policies due to the serious economic losses of the landlords, the policymakers of the US underlined that the desired land reform depended on the political courage of the governments of the country. Despite the limited influence of the US administration, the policymakers suggested the American diplomatic circles in the countries to endeavor for the disengagement of land reform issue from the ideas exploited by the Soviet 'communism'. As a sort of incentive, it is underlined that the US administration would support the steps in the direction of attaining land reform.³⁹¹

³⁹¹Confidential Communication from ECA Administration to all ECA Missions, 26 April 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56; Communication from JA Loftus to George McGhee on Agrarian Reform, 7 December 1950, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian (GTI) Affairs, 1932-51; Confidential Communication on Land Reform Policy from Department of State to Certain Diplomatic Representatives and Diplomatic Officers, 17 April 1951, RG 84, Foreign Service Posts of the Dept of State, Turkey, Ankara Embassy, Classified General Records 1950-52

These kinds of official communications were sent to all ECA Missions. But since the US administration did not categorize Turkey as a country distinguished by extreme inequalities in land proportion, these policy recommendations did not cover the Turkish rural elite. Consequently Turkish rural elite's confrontation with the donor was on conceptual basis. But later on when the US administration asked for endeavors for an agrarian reform whose component was not only land reform but also improvement of agricultural economic institutions such as tenancy, land rents, taxation of agricultural land or income from land, agricultural credit and producer marketing, the confrontation of the donor and the rural elite turned to be on concrete issues. The USA's recommendations for efficient tax systems, including the levy of agricultural tax, were at odds with the interests of the rural elite. This indirect confrontation of the donor and the rural elite proved the more efficient position of the latter in the shaping of the tax policies. The Turkish rural elite successfully emasculated any tax arrangements challenging its interests.³⁹²

Another issue of confrontation was the support purchases of the agricultural products. The American officials were critical to these high subsidies as they resulted in the high prices of the agricultural goods in the world market. As in the case of tax arrangements the political elite while disregarding the policy suggestions of the American officials, Turkish policymakers were more responsive to the expectations of the rural elite as well as intermediary trade capital involving in the sales of these goods.³⁹³

³⁹²Confidential Communication from ECA Administration to all ECA Missions, 26 April 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56; Confidential Communication on Land Reform Policy from Department of State to Certain Diplomatic Representatives and Diplomatic Officers, 17 April 1951, RG 84, Foreign Service Posts of the Dept of State, Turkey, Ankara Embassy, Classified General Records 1950-52

³⁹³Memo of Conversation between Gideon Hardy and Mumtaz Rek, Director General of Toprak, 27 March 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56; Memorandum on Grain Purchasing Program from Francis M. Coray, Food and Agriculture Officer to Henre W. Wiens, Acting Deputy Chief of Mission, 21 May 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56; also *Barker Report* of October 1950

Relying on these documents it can be concluded that there is not a lasting correlation in the concerns of the rural elite and the superpower. Instead the conjuncture's favoring of agriculture coincided with the inner dynamics of the country. In the diagnosis of the problems and policy recommendations for the economic viability of the recipient the donor had confrontations with the rural elite.

In short, in the immediate post- World War II era, owing to the inner and external dynamics, the landed interests enjoyed its heyday. The shift in the locomotive sector, agricultural mechanization program, and various incentives were the main pillars that the landed interests relied on during its heyday. The rural elite identified these interests with the DP. Consequently, the Military Coup of 1960 challenged these interests. Due to their identification with the toppled DP administration, the landed notables had a weakened position within the ruling elite coalition. Because of this identification with landed interests, one of the first policies of the military administration was to form a camp at Sivas and interned two hundred twenty landlords from East Anatolia in this camp.³⁹⁴

In the planned era, the leading monopoly industrialists challenged the interests of the rural elite. The big industrial capital's endeavors to create the best setting for their own interests inevitably led to its confrontation with the rural elite. The big industrial capital complained about the non-efficient taxation of the agriculture as a serious impediment for the industrial development on the grounds that this prevented the transfer of agricultural income through taxation. As their main concern was provision of resources for investment both private and public, as a source of capital they proposed taxation of agricultural sector. The agricultural

³⁹⁴Karpat, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p.231, 234.

sector, owing to the political reasons dating to the DP era, enjoyed exemption from taxes. Arguing that the tax burden fell unfairly on industrialists and workers, the industrial capital demanded a comprehensive tax reform that assured an increase in the share of taxes paid by the professional classes in addition to landowners and the peasantry.³⁹⁵

Furthermore, the industrial capitalists asked for land reform and later on establishment of the Village Institutes. They defined the existing land ownership patterns as an obstacle that prevented the village's incorporation to the world economic system.³⁹⁶ Instead, the majority of the population preferred to make subsistence agriculture with decreasing consumption patterns. This was a great challenge to the industrial capital, as it could not exploit the potential domestic market fully. Another issue that challenged the interests of large landowners was the land reform. In support of this, the industrial capital raised the argument that more equitable distribution of land would increase production, which meant the increase of the surplus available for the manufacturing industry. However, as Barkey puts, they were less aggressive on this issue due to their fear that arguments in favor of breaking up of large landownership could one day be repeatable for their own enterprises.³⁹⁷

Developing a just tax system particularly for agriculture sector was another highly controversial issues. The debates were taking place by referring to social justice, which was a rising concept in the era. Opponents of this tax claimed that in Turkey establishment of a just

³⁹⁵Barkey, "Crises of the Turkish Political Economy:1960-1980", p.57; Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.177-9.

³⁹⁶Ibid.

³⁹⁷Barkey, "Crises of the Turkish Political Economy: 1960-1980", p. 57.

tax system was not possible due to varying degrees of land productivity, access to inputs to increase productivity and to climate.³⁹⁸

In the face of these increasing demands from the industrial capital, the political elite had to adopt some policies. However, due to its political considerations, the political elite did not pose a challenge against the landed notables. Instead they adopted a manipulating tone. Contrary to the expectations of the industrial capital, the political elite continued to recognize privileges to landed notables. This resulted in a huge discrepancy between paper work and practice of the arrangement as the political elite and rural elite did their best to water-down these arrangements through delaying their implementation and putting very high ceilings which excluded majority of the rural elite. Though studies on the issue resulted in agriculture tax legislation no 193, owing to the loopholes as well as categorization of the taxpayers, the amount of the collected taxes, and the number of taxpayers who fell into this category were minimum.³⁹⁹

Facing criticisms that these unsatisfying outcomes were the government's failure to preserve stability, even endangering the democratic system⁴⁰⁰ the political elite claimed that Turkey did not have a big tax reserve in agriculture sector. Instead they claimed that with its expectation of receiving more than two hundred thousands, the agricultural tax levy was unrealistic. Besides, they adopted a polemical language and used the small landowners as a pretext to camouflage their desire to protect the interests of the landed notables. In this polemic, population dealing with agriculture was defined as the stability factor of Turkey. Therefore,

³⁹⁸ *Journal of TBMM Records*, Term II, Volume 13, Meeting 2, 16 February 1967, p. 170; *Journal of TBMM Records*, Term II, Volume 4, Meeting 1, 26 February 1966.

³⁹⁹ *Journal of TBMM Records*, Term II, Volume 12, Meeting 2, 14 February 1967, p.589; *Journal of TBMM Records*, Term I, Volume 27, Meeting 3, 18 February 1964, p.49; *Journal of TBMM Republican Senate Records*, Term I, Volume 3, Meeting 1, 27 February 1962, p.74-5; *Journal of TBMM Records*, Term II, Volume 17, Meeting 2, 11 May 1967, Debate on the Budget of Ministry of Agriculture, p.209; *Journal of TBMM Records*, Term II, Volume 12, Meeting 2.

⁴⁰⁰ Quoted from Vehbi Koc by Eroglu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.35.

unless taxation of this factor relied on a just basis this would lead to instability in the country. In their rationale, in contrast to the claims that this low performance endangered stability in the country, unjust taxation of the small agricultural enterprises to satisfy the expectations of some segments was mentioned as a direct challenge to existing stability.⁴⁰¹

In short, in the immediate post-WW2 era, owing to the internal and external dynamics, the rural elite enjoyed its heyday. The shift in the locomotive sector, agricultural mechanization program and various vast incentives were the main pillars which the landed interests relied on during its heyday. Though they lost their dominating stance in the elite coalition following the DP era, they managed to preserve their interests. The successive governments, including the military administration, did not achieve to implement land reform and taxation of agricultural income policies successfully, owing to the rural elite's successful counteracts.

Trade and Industrial Capital

The DP was known as the political party of not only rural elite but also of capitalists. As Turkey lacked industrial capitalists, at least until the late-1950s, the term national capitalists indicated trade capital. Like the rural elite, the trade capital was the new component of the ruling elite coalition. In contrast to the Ottoman Empire where the non-Muslim minorities participated in the division of labor as tradesmen, by the foundation of the Republic they were purged for the sake of national tradesmen. The political elite adopted policies to create and empower this group whom they defined as a 'must' in the creation of a strong national economy. In the words of Atatürk "tradesman is the one to whose intelligent and hand was

⁴⁰¹ *Journal of TBMM Records*, Term II, Volume 4, Meeting 1, 26 February 1966; *Journal of TBMM Records*, Term II, Volume 14, Meeting 2, 26 February 1967, Budget Debates of Finance Ministry; *Journal of TBMM Records*, Term II, Volume 17, Meeting 2, 11 May 1967.

trusted for the empowerment of the nation's labor and production and who should prove that he deserved this trust.”⁴⁰²

Like the rural elite, trade capital was also dissatisfied with the policies of the one party regime. Yet there was an important difference between the rural elite and trade capital. In contrast to relative indifference of the political elite to the rural elite, empowerment of the trade capitalists and their conversion into industrial capitalists to a great extent was an important pillar of the strategy of creating national capitalists by the state support whose weakness was regarded as a serious setback for the nation's development. Consistent with this view, the political elite of the pre-WW2 period developed various policies and mechanisms to attain this objective. The initial years of the Republic offered good fortunes to the tradesmen who involved in exportation and importation owing to the fact that Turkey had to adopt an open door policy in foreign trade up to 1929 as agreed in the Lausanne Agreement.⁴⁰³

This period of economic reconstruction and enrichment, particularly for these tradesmen, however, came to an end by the early 1930s due to the Great Depression and the preferred economic policy of the government aiming to save foreign currency as much as possible by producing the imported goods domestically. As the new course of policy meant the mobilization of the required sources from the center⁴⁰⁴ this empowered the stance of the civilian bureaucratic cadres.

⁴⁰²Bila, *CHP, 1919-1999*, p. 76-7.

⁴⁰³Boratav, *Türkiye İktisat Tarihi 1908-1985*, p.43.

⁴⁰⁴Keyder, “The Political Economy of Turkish Democracy”, p.33; see also Tekeli and Ilkin, *Uygulamaya Geçerken Türkiye’de Devletçiliğin Oluşumu*.

Regarding various arrangements in the scope of this protective economic system as a challenge to its interests, the trade capital began to seek an alternative via which it could challenge the dominant stance of the bureaucratic cadres under whose tutelage it grew. Parallel to its empowerment, the intensity of clash of interests between trade capital and its tutors increased. Besides, awareness of the conjuncture developments and the excessive earnings that the war economy provided were important factors which served the trade capital's search for autonomy. In their search DP was an alternative for them via which they could be more influential in policymaking.⁴⁰⁵

This initiative of the trade capital, however, represented a “rebellious” development that was not foreseen by the political elite when they envisioned the empowerment of the trade capital. As Keyder and Frey point out, what made this search of autonomy a ‘rebellious’ one was the fact that the controlled capital development of the one party era did not recognize a free hand for the groups, which were flourished by the protectionist policies of the dominating components of the ruling elite coalition.⁴⁰⁶

Though continuing with its supportive policies, the RPP failed to prevent trade capital's orientation to the opposition. Consistent with the expectations of the trade capital, responsiveness of the political elite to their demands increased during the DP era. Policies pursued in the era proved the priority which the political elite assigned to the trade capital. In order to ensure high profits for trade capital, and through this, to reinforce its stance in the ruling elite coalition, the recomposed political elite adopted various policies such as

⁴⁰⁵Şenekerci, *Türk Devriminde Celal Bayar: 1918-60*, p.192-3; *Vatan*, 23 May 1946.

⁴⁰⁶Keyder, “The Political Economy of Turkish Democracy”, p.41; Frey, *The Turkish Political Elite*, p.388.

improvement of infrastructure, bank credits, high profit margins determined by the Trade Ministry, tax exemptions, tenders, premiums and subsidies.⁴⁰⁷

The foreign observers defined the increasing trade activities with respect to the favorable environment created by the new political elite. In replying a question regarding the boom observed in the trade capital that led to an increase in trade activities, leading tradesmen referred to the favorable environment that DP created for them in which they worked in security. They also referred to another important outcome of this pro-capitalists approach, namely institutionalized nature of the mechanisms that served to foster their trade when they stated that the established trade order remained as it was, regardless of changes of governments.⁴⁰⁸

Like the institutionalization of the pro-capitalist mechanisms, the era witnessed various developments, which were crucial, regarding the composition of the capitalists. First of all, the support mechanism for trade capital did not offer the same opportunities to all. Criticisms with respect to the pursued policies emphasized the promotion of a sort of monopolization as a result of the pursued policies among the trade capital. The distinguishing feature of this monopolization was its being mainly activity-specific since the majority of the monopolists involved in importation. Regarding this monopolization as an indicator of the existence of a favored inner circle among the trade capital, critics pointed out the manipulative power of these monopolists. Their increasing wealth was at the expense of augmented troubles of the

⁴⁰⁷ *Journal of TBMM Records*, Term IX, Volume 18, Meeting 2, 25 February 1952; Program of the Third Menderes Government; see also Agriculture Ministry Budget Debates of the 60s; Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p. 105.

⁴⁰⁸ *Cumhuriyet*, 17 January 1954.

public, in general, as they preferred to concentrate on high profit luxury goods while undermining the real needs of the people.⁴⁰⁹

Aydin Menderes, the son of Adnan Menderes confirmed the existence of this “inner circle” among the trade capitalists. Defining this as one facet of the differentiation among the capitalists, Aydin Menderes referred to the unavoidability of such a promotion, as in every change in power there were some who were excluded from the inner circle while there were some who moved in. This was the case during the power change of the 1950s. Aydin Menderes explained that at the time of DP’s ascension there was a trade capital group that benefited from the system and desired the continuation of the status quo. On the other hand, there were ambitious people who desired to be in the private sector, and more truly, in the ruling elite coalition.⁴¹⁰

With respect to tradesmen, therefore, to conclude that the rise of the DP represented the recruitment of highly mobilized potential elite would not be misleading. In addition to the favorable conditions, policies pursued against those who were excluded from the inner circle also contributed to the strength of the “inner circle” capitalists to a great extent. In his memoirs Vehbi Koc, one of the prominent tradesmen of the era revealed the nature of policies that the DP political elite pursued towards the “out”. Following the DP’s ascension to power, Koc was gradually removed from the Chambers, and other professional establishments, and was compelled to resign from the membership of the Executive Board of the Industry and Development Bank, in short from any post that made him a decision maker or influential in resource reallocation. In addition to these, he was accused of dealing with oil stocking. The

⁴⁰⁹*Journal of TBMM Records*, Term X, Volume 5, Meeting 1,19 February 1955, 1955 Fiscal Year Budget Legislation.

⁴¹⁰Interview with Aydin Menderes, 7 May 2001.

political elite indicated the “remedy” for rescuing from these as being in or at least with the DP.⁴¹¹

The era also witnessed the differentiation of capitalists as trade and industrial capitalists. According to Aydın Menderes this was the scheme beneath the DP’s creation of a sort of monopoly capital among the trade capitalists. He stated that while the DP was supporting the ambitious people who desired to be “in”, the political elite expected that this support would contribute and lead to their capital accumulation that would enable them to have a leading role in the attainment of the envisioned industrial development. In short, while making their best to promote an appropriate environment for the trade capital, the political elite oriented these monopoly capitalists to productive sectors such as industry.⁴¹²

The political elite of the era witnessed the accuracy of their expectations. It was in these years that the national capitalists began to be differentiated as trade and industrial capitalists. In most cases the big trade capital, while earmarking its resources to industrial establishments, did not leave the trade sector that offered high profit margins due to its speculative interference. This differentiation was crucial, as from that date onwards, during the successive governments, the big industrial capital began to act as the mouthpiece of the national capitalists. This outcome proved to be the successful and satisfying attainment of the vision that the Founding Fathers defined during their nation building process. In their promotion of a favorable environment for the capitalists and for their capital accumulation, the DP political elite continued the policy line that was drawn by the Founding Fathers.

⁴¹¹Can Kır  , *Anılarımla Patronum Vehbi Ko  * ( stanbul: Milliyet Yayınları), p.102, 106, 109.

⁴¹²Interview with Aydın Menderes, 7 May 2001.

Before analyzing the position of the industrial capital in the ruling elite coalition and its influence on resource reallocation as a last point regarding the trade capital, it should be kept in mind that interaction between the political elite and trade capital was not free from conflicts. Instead, relying on its empowered stance the trade capital delayed various policies which were recommended by the donors as necessary steps for the improvement of the economic situation. Though there were various explanations regarding the delayed and reluctant acceptance of the recommendations of the international donors, the trade capitalists had their part in this delayed acceptance.

A secret telegram from the American Embassy in Ankara sheds light not only on this part but also on the scope of the circle that the political elite could move in. In a document dated July 1958, the American Ambassador informed the Secretary of State about a new economic program that was prepared as a condition for foreign-aid-containing items which would be objected by important groups in the country. He added that for the sound implementation of the program without any frustrating objection, the DP political elite must have *outside support* to offset attempts [emphasis is added]. In this, Warren indicated the trade capital as one of the components that would raise objections due to the program's demand for a larger scale of licensing of imports.⁴¹³

Flourishing of industrial capitalists in the mid to late-1950s, on the other hand, was not coincidental owing to the policies pursued by successive governments. These policies, consistent with the national vision of creating national capitalists, promoted an environment that led to capital accumulation of the capitalists. The unsatisfying industrialization

⁴¹³Secret Telegram from Ambassador Warren to Secretary of State, 11 July 1958, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

experience of the 1920s taught that, expectation of successful industrialization drive from industrial capitalists who lacked adequate capital accumulation was immature. Through policies that promoted appropriate environment for required capital accumulation, in the late 1950s the industrial capitalists began to emerge as a separate elite group highly conscious of their rights and eager to expand their preponderance within the ruling elite coalition. In addition to the adequate level of accumulated capital, by the contribution of the conjuncture developments, such as the shift in the locomotive sector of the development policy and the adoption of ISI, the heyday of the industrial capital commenced in the 1960s.

Thus, the Turkish industrial capital grew under the tutelage of the state. Pursuing favorable discriminatory policies supporting capitalists, the political elite attained the vision of the creation of nationalist capitalists. Parallel to the envisioned future of the country, the assigned role to the capitalists was their involvement in the industrial activities. When the national capitalists reached this stage by the 1960s the political elite continued to support them through subsidized inputs, flow of the public resources through establishing joint ventures and bank credits, tax exemptions and provision of infrastructure. In order to strength their stance vis-a-vis the social dynamics against them, the political elite prohibited the right of strike and put various other restrictions against of all the possible dynamics.⁴¹⁴

Although the attained level was satisfying for the political elite as it represented diversification among the capitalists, it required new strategies to cope with the differentiated, in most cases contradictory interests and expectations of the capitalist. The 1960s were distinguished by the existence of these clashing interests and the difficulty the political elite

⁴¹⁴Sönmez, *Kırk Haramiler: Türkiye’de Holdingler*, p.111,114-6; Çağlar Keyder, *State and Class in Turkey: A Study in Capitalist Development* (London and New York: Verso, 1987), p.170.

had in dealing with these interests. This was particularly difficult for a party like the JP which claimed to be the party of all capitalists. Parallel to the diversification of capitalists, the political elite was obliged to adopt various strategies. In the decade the political era faced some encounters where the capitalists acted as a unified body by suppressing all the differences since they thought that their interests were at stake. It also faced some cases when the political elite had to make preferences among the differentiated capitalists.

The most important encounter of the political elite with the industrial capital was in the immediate aftermath of the 1961 elections. In contrast to the expectations of the capitalists that elections would end the ambiguity due to the inadequacy of the amount of the votes that each party had, the post-election era led to new ambiguities. Leaders of the political parties aggravated the situation by their uncompromising attitudes. In the face of this, as a unified body the capitalists reminded the political parties about their social responsibilities as their uncompromising attitude resulted in economic stagnation. By this initiative, the style of which was novel for Turkey, capitalists accelerated the process that led to political stability. Though they did not ask for them, the political elite made some arrangements favoring the capitalists such as tax exemptions and cease of wealth declaration.⁴¹⁵

Though the RPP did not adopt any policy adverse to their interests, owing to the pro-private capital rhetoric of the JP, capitalists assumed that its ascension to power would bring more favorable conditions for them. Yet the developments after JP's ascension to power by 1965 election proved to be the contrary, owing to the claim of the JP that it was the party of all capitalists. This proved to be an over-generalized statement which undermined the dynamics among the differentiated capitalists. There were numerous issues on which the industrial and

⁴¹⁵Karpat, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p.253

trade capitalists confronted, including reallocation of scarce resources such as foreign exchange, participation in the Common Market⁴¹⁶, access to bank credits⁴¹⁷ or control of the prices. In these encounters the political elite preferred to pursue a balanced strategy to avoid estrangement of diversified capitalists. The outcome of this strategy was, however, far away from their expectations since, in most cases, neither of the confronted capitalists was satisfied with the political elite's handling of the issues.⁴¹⁸ In this respect, one of the most important encounters was on the elections of the Union of Chambers, which resulted in the leading big industrialists' further discontent about the JP and led to the establishment of TUSIAD.

One of the fiercest confrontations among the capitalists was the domination of the executive board of the Union of Chambers owing to its political preponderance as well as its power in the reallocation of foreign resources and the control of the prices. Due to these means that made the Union very powerful, both the industrial and trade capital desired to dominate it as its domination led to the domination of all capitalists. Therefore, during the elections each capitalist group asked for the support of the political elite. Consistent with its mid-way policy, the political elite abstained from siding with one capitalist group, and instead it suggested an election list that covered all fractions within the capitalists. The industrial capitalists, particularly the leading ones, did not welcome this as they expected a positive discrimination favoring them. This expectation was due to the disproportion between their contribution to the

⁴¹⁶*Journal of TBMM Records*, Term III, Volume 2, Meeting 1, 26 January 1970, p.364, *Journal of TBMM Records*, Term III, Volume 1, Meeting 1, 10 November 1969, p. 107, 129; Selim Ilkin, "Businessmen: Democratic Stability" in *Turkey and the West: Changing Political and Cultural Identities*, eds., Metin Heper, Ayşe Öncü and Heinz Kramer (London, New York: St Martin's Press, 1993), p. 189-90,192-3.

⁴¹⁷See *Journal of TBMM Records*, Term II, Volume 34, Meeting 4, 22 February 1969, Debates of Budget of Industry Ministry, p.541; *Journal of TBMM Records*, Term I, Volume 27, Meeting 3, 19 February 1964, Debates of 1964 Budget Draft, p.83; *Journal of TBMM Records*, Term II, Volume 14, Meeting 2, 24 February 1967, Finance Ministry Budget Debates, p.455; *Journal of TBMM Records*, Term III, Volume 2, Meeting 1, 30 January 1970; *Journal of TBMM Records*, Term II, Volume 4, Meeting 1, 25 February 1966; *Journal of TBMM Records*, Term II, Volume 4, Meeting 1, 24 February 1967, Finance Ministry Budget Debates, p.455; Eroglu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.81.

⁴¹⁸Karpat, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p.253, 259-60; Eroglu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.176.

economy and their relative lower share in the Union owing to the quantitative majority of the petty trade capital.⁴¹⁹

Though later on the political elite explicitly and illegally interfered with the Union's elections of 1969 on behalf of industrial as well as metropolitan capital after Necmettin Erbakan's election as the President of the Union as a representative of Anatolian petty capital⁴²⁰, this did not prevent the leading industrial capitalists' search for an alternative. Regarding the political elite's attitude as an obstacle to their rapid development, the leading industrial capitalists developed counter strategies vis-à-vis the political elite as well as trade capitalists. First of all they proposed various amendments to improve their stance in the Union of Chambers. When the Board of the Union turned these down the leading industrial capitalists sought means to restrict the authorities of the Union. They attained their aim following the military's Memo of 1971 as the Union was defunctionalized through the removal of the right of foreign currency allocation. They exerted pressure on the political elite for tax reforms that introduced tax for the trade capital. As a last step, in order to solve the problem of disproportional representation within the Union, they founded TUSIAD in 1971.⁴²¹

The establishment of TUSIAD was a milestone in the interaction of the leading industrial capitalists with the petty industrialists, trade capital as well as the political elite. As it covered the top industrialists TUSIAD intensified the differentiation among the industrial capitalists. The leading ones reasserted their preeminence vis-à-vis the small industrialists. The trade capital, on the other hand, could not enjoy the advantage in the Union due to the quantitative

⁴¹⁹Quoted from the Memoirs of Huseyin Basarir, Member of the Executive Board of the Chamber then, Sönmez, *Kırk Haramiler: Türkiye'de Holdingler*, p. 154-7; Öncü, "Chambers of Industry in Turkey: An Inquiry into State-Industry Relations As A Distributive Domain" in *Turkey and the West: Changing Political and Cultural Identities*, eds., Heper, Öncü and Kramer, p.459; Weiker, *The Modernization of Turkey: From Atatürk to the Present Day*, p.95-6; Keyder, *State and Class in Turkey: A Study in Capitalist Development*, p.147.

⁴²⁰Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.36, 38,40.

⁴²¹*Ibid.*,p.177-9, Sönmez, *Kırk Haramiler: Türkiye'de Holdingler*, p.157.

majority of the petty trade capitalists. Establishment of a separate body, therefore, challenged their position among the capitalists as well as in the system. As the prevailing circumstances favored the industrial capitalists, they were obliged to move in the subordinated position that industrial capitalists pointed out.

In the case of the political elite, through TUSIAD, the industrial capitalists declared their autonomy. Relying on their qualitative power in the balance of power among the capitalists, these ‘commanding heights of the industrial capital’ continued to exert pressures on the political elite for their demands. Most of these demands were consistent with the objective of reinforcing their preponderance in the system and ruling elite coalition as well as assuring their economic development. Preparation of planning under political elite’s surveillance, tax reform covering reduction for industrial capital but introducing agricultural tax, trade bourgeoisie and rentiers, promotion of investments through facilitation of finance and importation and firmness on policies that served the expansion of the domestic market were the most important arrangements for their interests. The last arrangement mentioned above also covered recommendation of finding new markets in the Middle East and Third World countries by pursuing multilateral foreign policy without neglecting the possibility of participation in the Common Market.⁴²²

Examination of the demands revealed that the leading industrial capitalists asked for policies which challenged the interests of other elite groups such as bureaucracy, trade capital and rural elite. Complaining of the red tapism, the leading industrial capitalists asked for the rationalization of the state administration that led to a less bureaucratic structure. However, aware of the increased importance of the bureaucrats in the ISI, the leading industrialists

⁴²²Eroglu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.211-2.

avoided explicit confrontation with the bureaucratic cadres to the ultimate possible degree. Instead they endeavored to develop sound relations with the bureaucratic cadres. Yet they desired to have a system where they enjoyed less bureaucratic surveillance as indicated in the demand of less bureaucracy.⁴²³

In their demand for tax reform these industrial capitalists aimed not only at trade capital but also at the rural elite as well. Regarding the latter, industrial capitalists also asked for land reform and the reopening of the Village Institutes.⁴²⁴ In support of the previous, the industrial capital defined the existing land relations as an obstacle for agricultural productivity and for the taking of initiative of the peasants, majority of whom preferred subsistence agriculture that prevented their consumerism and demand for industrial goods. They concluded that this was an important factor which led to stagnancy in the domestic market.

This call for social development policies was, however, not due to the developed ‘enlightened self’ of the industrial capital. Instead, the leading industrial capital that observed the developments in the country with anxiety recommended these as precautions to prevent further radicalization of the population. Unlike the previous decades, various segments of the society such as peasants, students and workers were highly politicized. More than the others, the radicalization of the trade union movement increased the anxiety of the industrial capitalists as well as increasing the dissatisfaction of the prevailing political administration. The dissatisfaction and questioning of big capitalists about the power of the JP to deal with this movement reached its acme by the great workers march on May 15-16 1970. This was a turning point in the relations of the political elite and capitalists as the latter lost their

⁴²³Atilla Eralp, “Turkey in the Changing Postwar World Order: Strategies of Development and Westernization” in *Developmentalism and Beyond*, eds., Oncu and Keyder, p.211; Keyder, *Ulusal Kalkınmacılığın İflası*, p.145; Ilkin, “Businessmen: Democratic Stability” in *Turkey and the West: Changing Political and Cultural Identities*, eds., Heper, Öncü and Kramer, p.189; Eroglu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.211-2.

⁴²⁴Eroglu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.211-2.

confidence in the JP. After this event, the big Turkish capitalists began to question more intensely the JP's ability to rule and govern an increasingly differentiated society.⁴²⁵

This background sheds light on the leading industrial capitalists' support of the military's Memorandum of 1971. This Memo reinforced the industrial capitalists stance vis-à-vis the workers through imposed restrictions on the latter. The political elite's support for the big industrial capital, on the other hand, continued after the Memorandum. During Talu and Melen governments, a majority of the incentives was distributed to the big industrial capital.⁴²⁶

In sum, the 1960s witnessed the national capitalists' declaration of its autonomy vis-à-vis other components, particularly the one that defined its creation as a national vision. In contrast to the previous eras when their dependence on the political elite was immense, commencing in the late 1950s and accelerating in the 1960s, as a result of the accumulated capital and the increasing self-confidence parallel to this accumulation, the national capitalists made their preference to transform into industrial capital perceiving the tide of events accurately. Owing to the favorable conjuncture developments they reinforced their preponderance in the regime and within the ruling elite coalition.

This favorable conjuncture was related to the donors' support for industrialization-led development policy. The relative empowered stance of the Turkish industrial capital in the early 60s coincided with the donors' policy recommendations suggesting a shift in the locomotive sector. Not only the policy suggestions but also the constructed infrastructure by

⁴²⁵Barkey, "Crises of the Turkish Political Economy: 1960-1980", p.54-5.

⁴²⁶Eroglu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, p.273-4.

the aid allocations also served the interests of the industrial capital. Therefore, the industrial capital found a more favorable environment to foster.

Lacking innovative or recreative features as well as a sound financial basis, the Turkish industrial capital preferred assemble industries instead of adaptation and domestic genuine industrial production. As it did not challenge the interests of the donor, instead served its interests by choosing the ‘disguised importation’ the Turkish industrial capital paved the way for conciliatory relations with the donor, not conflicting ones. By providing cheap labor force and cheaper production costs the Turkish industrial capital acted as a kind of distributor agencies for the foreign capitalists. Yet, as only the big monopolist industrial capital could engage in partnerships with the foreign capital, they were the beneficiaries. The process again excluded the small-scale industrial capital. The monopolist capital within the industrialists developed and successfully implemented strategies to assure the sustainability of the preponderance that it enjoyed.

Civilian Bureaucracy

Civilian bureaucracy was the main pillar of the political elite for the nation building process. In fact, under the prevailing circumstances it was the sole possibility of the political elite. While, on the one hand, it defined the vision as the creation of national capitalists to end up the feebleness of the private capital, on the other hand, it had to undertake a wide range of reform movements⁴²⁷ to attain the objective of “reaching the level of advanced societies”. The civilian bureaucracy provided the required knowledge as well as experience in the running of the state mechanism. The important feature of the civilian bureaucrats was their alienated stance from the mass. Consistent with the top down approach of the political elite,

⁴²⁷Weiker, *The Modernization of Turkey: From Atatürk to the Present Day*, p.30.

their role in the system was defined as fulfillment of the task regardless of the considerations of the ruled. In that respect not only their presence in the ruling elite coalition but also the administrative understanding represented continuity with the imperial past.

The political elite of the first generation developed mechanisms that reinforced this alienated stance of the civilian cadres in the system. As a mechanism to increase the devotion of the civil cadres to the regime, the one party regime paid special attention to the welfare of the bureaucratic cadres. Restoration of the real incomes of the civilian bureaucracy was one of the initial policies of the political elite.⁴²⁸ These bureaucrats were not only paid well and benefited from distribution of goods in kind such as shoes, clothing, and the similar but also enjoyed the privilege that the official policy recognized for them. Tax exemptions, low-interest public capital, state subsidies, priority in the allocation of scarce materials including foreign exchange and state assistance in training were among the major advantages that they enjoyed.⁴²⁹ As a result of these policies, the duality between the mass and the civilian cadres of the state increased. While the mass identified the bureaucrats with the regime that neglected their concerns, the bureaucrats could not grasp the increasing difficulties of the mass under heavy taxation and various sanctions.

The widespread discontent of the mass from the bureaucrats as well as the regime was one of the most important factors that led to a change in the composition of the rulers. During the rallies the DP successfully exploited the prevailing discontent of the public with the bureaucratic cadres. The DP spokesmen challenged the official rhetoric that the peasant was

⁴²⁸Boratav, *Türkiye İktisat Tarihi 1908-1985*, p.71.

⁴²⁹*Journal of TBMM Records*, Term VIII, Volume 1, Meeting 1, 14 August 1946, Debates on the Program of the Government established by Prime Minister Recep Peker; Keyder, "The Political Economy of Turkish Democracy", p.37; Richard D. Robinson, *The First Turkish Republic: A Case Study in National Development* (Cambridge, Massachusetts: Harvard University Press, 1963), p. 110.

the master of the nation. They claimed that this rhetoric did not reflect the reality, as the master of the country was the fortunate “*devletliler (statesmen)*” who enjoyed their privileges under the State guard. They also claimed that the public interest was sacrificed at the expense of expanding bureaucratic cadres. Due to their increasing number, the civilian cadres posed a great burden on the country’s economy which was distinguished by scarcity of resources. While their number was 104.000 in the early 1930s this grew almost to quarter million in 1946.⁴³⁰

The DP defined its ascension to power as an anti-RPP and anti-bureaucracy rally, which was difficult due to the intertwined nature of the high echelons of the bureaucracy with the RPP. As the governors and district-governors were appointed as the provincial chiefs of the RPP since 1935, this anti-bureaucracy rally of the DP was in fact against the state mechanism. The RPP ruling circles justified this intertwined role by the notion that administrative mechanism was the skeleton of regime; therefore, the more this mechanism was in harmony and powerful, the more the regime guaranteed its continuation. Neutrality of these bureaucrats was not the case; instead, due to their politicized nature they represented the continuation of the RPP tradition. The DP claimed that even the governors themselves indicated this continuity by expressing the impossibility of success of any party except the RPP, as they were the governors of the RPP.⁴³¹

⁴³⁰Program of the Third Menderes Government; Menderes’ Speech in Aydın Yenipazar Democrat Meeting, 13 June 1948; *Journal of TBMM Records*, Term VIII, Volume 1, Meeting 1, 14 August 1946, Debates on the Program of the Government established by Prime Minister Recep Peker; Keyder, “The Political Economy of Turkish Democracy”, p. 37; Robinson, *The First Turkish Republic: A Case Study in National Development*, p. 110; Weiker, *The Modernization of Turkey: From Atatürk to the Present Day*, p.30; Menderes’ Speech in Muğla Provincial Convention on 2 May 1949 quoted by Esirci, *Menderes Diyor Ki*, p. 146-7, 186-7.

⁴³¹Bayar’s Speech in Ödemiş, 4 September 1949 in *Celal Bayarın Söylev ve Demeçleri: Demokrat Partinin Kuruluşundan İktidara Kadar Politik Konuşmalar, 1946-50 (Addresses and Statements of Celal Bayar: Politic Speeches from the Establishment of the Democrat Party to its Ascension to the Government, 1946-50)*, comp., Özel Şahingiray (İstanbul: Türkiye İş Bankası, 1999), p.362-3; *Vatan*, 25 January 1947; Menderes’ interview with the journalists in İzmir, 31 March 1946; Menderes’ Speech in İzmir Democrat Party Headquarter, 1 October 1947; Esirci, *Menderes Diyor Ki*, p.11-2, 19, 95; *Yeni Sabah*, 25 July 1946; *Journal of TBMM Records*, Term

Regarding the civilian bureaucrats, the new political elite pursued a dual policy line. On the one hand they purged or defunctionalized the pro-RPP administrative cadres; on the other hand, they created new administrative cadres. While justifying the first group of activities as the means to abolish “the bureaucratic despotism”, the political elite defined the latter as an obligation of the party due to the prevailing features of the system. Shaped by this reasoning and by the assured confidence that the DP political elite had following the 1954 elections, the concrete policies to realize the statements on the necessity of the changes of the bureaucratic cadres, the remnants of the previous totalitarian regime, were commenced.

Criterion of this purging was defined as the performance of the administrative officials in the 1946 elections as well as attempts to sabotage the activities of the policies of DP governments, which were designed for the benefit of the public. The political elites of DP justified the first criterion by claiming that multiparty era in Turkey could have commenced even in 1946 if some of these, even 15-20 governors as well as 50-100 district-governors did not involve the violation of the law. Relying on this, the political elite expressed their intention not to work with these politicized officials who were performing the rituals of a “political religion”.⁴³²

Although before that day numerous governors’ places were changed, after the 1950 election the scope of the purging policy widened to a great extent. The means devised to this end was the legislation no 6122, dated 1953. Initially military officials, academicians, members of the Court of Appeals, judges and prosecutors were excluded from this legislation. However, by

VIII, Volume 8, Meeting 2, 28 December 1947, Justice Ministry’s Budget Debate; *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 28 December 1947; Bila, *CHP, 1919-1999*, p. 72-3

⁴³²Menderes’ Reply to Server Somuncuoglu’s Speech on Petrol Law in *Basbakan Adnan Menderes’in Meclis Konusmalari, TBMM 1950-1960 (Parliamentary Speeches of the Prime Minister Adnan Menderes, 1950-1960)*, comp., Faruk Sükan (Ankara, 1991), p. 183-4, 204.

legislation no 6422 dated 21 June 1954 they were also included as professional groups which could be purged. Importance of this inclusion derived from the fact that these were the forces acting as security valve of a system against the political elite's arbitrariness. These arrangements also abolished the right to appeal to the court by those who faced unfair treatment.⁴³³

The legislation no 6435 on 5 July 1954, however, was the one that had the destructive effects on the bureaucratic cadres. Objective of the legislation was to lessen the power of the bureaucracy, purging of the bureaucrats who were regarded as "head of a boil", to decrease the economic power of the bureaucracy and to eliminate the efficiency of bureaucratic rules. As explained by one of the MPs of the DP, who had great contribution to this draft's preparation, the rationale behind this legislation was to challenge the privileged status of the bureaucratic cadres who enjoyed lots of guarantees from the government and its organization which was also regarded as an entity that was out and above the mass. Refusing that this draft aimed at purging, the ultimate objective of it was defined as rationalization of the state mechanism.⁴³⁴

As an importation from Switzerland, "a democratic country from top to bottom" the legislation brought a system of employing the state officials on a three-year-contract basis. At the end of each three-years period, the performance of the state official would be evaluated and either the continuity of his service for another periods of three years or termination of his contract would be decided. Justified by rationalization of the bureaucracy, the necessity of

⁴³³Ümit Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali (Military-Politics Relations during Menderes Era and 27 May Coup)* (İstanbul: Boyut Yayıncılık, 1997), p. 59; Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p.116-7.

⁴³⁴Pervet Arat's Statetment, *Zafer*, 6 July 1954; Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*, p. 59.

such a system in Turkey was explained by referring to the prevailing facts during the one party regime, a totalitarian regime whose existence was impossible without bureaucratic cadres. The DP political elite insisted that more than anybody the bureaucratic cadres necessitated such a change due to the miscalculated articles of the officials' status lying at the core of the red tape that played the 'devil' in every business of the country. The supported idea was that unless the officials felt the challenge of replacement this made them uncreative therefore anybody opposing this legislation was regarded as acting in a partisan way.⁴³⁵

As a result of these arrangements which represented the milestones of DP's purging policy, a high mobilization was observed at the administrative level. Though DP political elite stated that there would not be any replacement or changes in the administrative cadres, from 22 May 1950 to 13 June 1956, 156 reassignments were carried out at governate level. While sixty-two governors were appointed to center governorship, thirty-eight governors retired and ten governors resigned. In addition, 188 deputy governors were reassigned. While five deputy governors were appointed to the center, nineteen deputy governors were appointed and four resigned from their posts. At the level of district-governorship, 1375 district governors were reassigned. While five district governors were appointed to the center, thirty of them retired and hundred-and-sixteen resigned.⁴³⁶

Parallel to the purging of the bureaucratic cadres, the DP created a new administrative mechanism distinguished by partisan appointments. The political elite justified these partisan appointments as a precaution to assure the success of the economic development policies.

⁴³⁵Menderes' Reply to Server Somuncuoğlu's Speech on Petrol Law in *Basbakan Adnan Menderes'in Meclis Konusmaları, TBMM 1950-1960*, comp., Sukan, p.200-1; Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p.117.

⁴³⁶*Journal of TBMM Records*, Term X, Volume 13, Meeting 2, 25 August 1956; Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p.149.

Their rationale was that as the bureaucratic cadres had a dominating stance in the system unless they had amicable feelings towards the ruling party by their powerful stance these bureaucrats would attempt to sabotage all the initiatives of the political elite aiming at the economic development of the country and welfare of the public.⁴³⁷ This policy line represented continuity between the RPP and the DP despite all the rebuffing rhetoric.

The crucial point, in the essential continuity with the RPP era, was that the DP political elite had the concern of having the upper hand vis-à-vis the bureaucratic cadres created by themselves. In contrast to the rhetoric, they adopted policies which aimed to minimize the initiative of the bureaucratic cadres. This policy line was explained as their reluctance to share the administrative power assigned to them by the free will of the nation with the bureaucratic cadres. They also claimed that bureaucratic cadres' ability to take initiative might have increased economic problems due to their mistaken interventions.⁴³⁸

Though the political elite aimed to minimize the preponderance of the civilian bureaucrats both in the ruling elite coalition and the state mechanism, it was not an easy task to undertake owing to the roles that were assigned to the bureaucratic cadres. Examination of the interaction between the political elite and civilian bureaucracy revealed that nature of the conflict between these components did not change in the successive governments either. In contrast to the late 1940s and the 1950s, what challenged the possible success of the political

⁴³⁷Bayar's Speech in Sakarya, *Vatan*, 10 May 1948; *Son Posta*, 9 January 1950; see also *Journal of TBMM Records*, Term VIII, Volume 1, 3, 8, Meeting I; Term IX, Volume 3, 4, 6; *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 28 December 1947, Justice Ministry's Budget Debate; *Journal of TBMM Records*, Term VIII, Volume 8, Meeting 2, 28 December 1947; Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*; Şensekerçi, *Türk Devriminde Celal Bayar: 1918-60*; Aydemir, *Menderes'in Dramı 1899 – 1960*, p.224.

⁴³⁸Criticism of the Program of Second Hasan Saka Government in Kutahya DP Meeting on 22 June 1948; Esirci, *Menderes Diyor Ki*, p.152; Program of the Second Menderes Government, 9 March 1951.

elite vis-à-vis the bureaucratic cadres was the introduction of the economic planning in the 1960s.

The most important development in the 1960s regarding the civilian bureaucracy was Turkey's transition to planned development and establishment of the State Planning Organization (SPO) on September 30, 1960 (Laws Number 91, 99, 340). Designed as the principal mechanism for the allocation of resources, the latter was the bastion that reinforced the position of the civilian bureaucracy in the system. In addition to this, the Supreme Court and the Council of the State were other organizations on which the preponderance of the civilian bureaucrats relied. Dodd defines these organizations as the reliable basis for the reassertion of the bureaucratic preeminence by referring to their definition as the “watchdog” of the political regime as well as the economic development policies.⁴³⁹ The adopted economic development policy of the ISI completed the scheme that reasserted the bureaucratic preeminence as it made the state the main regulator of the domestic economy. Consequently, the bureaucrats became the inevitable organizers and administrators of the allocation of the economic resources.⁴⁴⁰

More than others, the SPO was in the focus of the debates mainly due to its superior position of resource allocation. By establishing the SPO the military administration revealed its sensitivity to the years-long recommendation of the donor countries on the necessity of an advisory planning organization. Since the mid-50s the US administration pressurized for planning in order to minimize the waste of resources as much as possible. In explaining the

⁴³⁹Dodd, *The Crisis of Turkish Democracy*, p.46; see also Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*.

⁴⁴⁰Keyder, “The Political Economy of Turkish Democracy”, p.299.

necessity of a planning organization, the US administration referred to the uncontrolled and inconsistent expenditures of the 50s.

Therefore, establishment of the SPO was in full conformity with the demands of the US administration. Chief assignment of the organization was the state planning and executive authority. What made the SPO's a point of attraction was related to its role in the allocation of resources. The planning authority would make rules about the distribution of two fundamental economic resources, scarce foreign exchange and public credit. Parallel to this role, the assigned position to the Director of the SPO was a deputy prime minister in charge of the industrial sector.⁴⁴¹

By its establishment, the pro- and anti-bureaucracy emerged as pro- and anti-planners. Owing to the leading role of the RPP in the coalition government until the 1965 elections the pro-plan atmosphere was dominating. Referring to the uncontrolled and uncoordinated expenditures of the 1950s, the pro-planners expressed their faith in the new organization. In a short while, the SPO attracted a number of young economists and administrators who idealized SPO as the most suitable means for rapid economic development and social justice. Though the coalition government's failure to carry out land reform and associated measures led to the resignation of the senior staff of the Organization who was known as the brain team at the time of its establishment in 1962, until the JP's ascension to power as the governing party in 1965 there was harmony between SPO high staff and the political elite.⁴⁴²

⁴⁴¹Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*, p.293; Karpas, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p.258; Keyder, *State and Class in Turkey: A Study in Capitalist Development*, p. 148; Keyder, "Economic Development and Crisis: 1950-80", p. 298.

⁴⁴²*Journal of Republican Senate Records*, Term I, Volume 8, Meeting 2, 31 January 1963; Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*, p.293; Karpas, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p.258; Keyder, *State and Class in Turkey: A Study in Capitalist Development*, p. 148; Keyder, "Economic Development and Crisis: 1950-80", p.298; Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.175.

The pro-plan as well as pro-SPO atmosphere was challenged by the JP's ascension to power in 1965. Acting as the inheritor of the DP, the JP led an anti-bureaucratic policy line and acted to undermine the power of bureaucracy in any possible case. The JP era was distinguished by anti-SPO policies until its emasculation in the late 1960s. In the advocacy of the emasculation, the political elite claimed that the government had to have the last word regarding resource allocation, since it represented the will of the nation. Their criticism of the dominating position of the SPO relied on the possibility of encroachment of the political will by the technocrats. They raised the absurdity of the resulting situation due to the stance of the SPO. Under the prevailing scheme, the government had to justify any wrong decisions causing waste of resources shaped by the initiative of the SPO to the voters.⁴⁴³

Pursuing a strategy, the JP completed the emasculation of the SPO in the late 1960s. In the first stage the political elite adopted policies which aimed to remove the SPO from its basic objectives. They rejected the possibility of any conflicts between the political administration and the SPO as the first questioned the views of the SPO and had the initiative to adopt or reject them.⁴⁴⁴ In the process, departments and branches that were established by legislation no 91 and were in charge of fulfilling the planning studies of the organization were weakened to a degree that they could not fulfill their main responsibilities. Parallel to this, departments and branches established by decisions of the Cabinet to fulfil tasks directly related to executive branch grew in an unnecessary and unbalanced way. By this, the SPO was moved away from its planning activities and grew more involved into executive activities.⁴⁴⁵

⁴⁴³ *Journal of TBMM Records*, Term II, Volume 4, Meeting I, Budget Debates of General Directorate of Public Improvements, 25 February 1966; Karpaz, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p.258; Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.175.

⁴⁴⁴ *Journal of TBMM Records*, Term II, Volume 4, Meeting 4, 21 February 1966, Debates of Trade Ministry Budget.

⁴⁴⁵ *Journal of TBMM Records*, Term II, Volume 33, Meeting 4, 15 February 1969, Budget of State Planning Office (SPO); *Journal of TBMM Records*, Term II, Volume 13, Meeting 2, 16 February 1967, p.173.

As a result of this strategy, the SPO lost its position vis-à-vis the political elite and turned to be an organization that justified all policies of the government. The increase in the amount of expenses by the arbitrary demands of the ministers was regarded as the sign of this loss of character. By using SPO, the political elite deteriorated the balance between sectors in favor of the private sector. The SPO was reduced to a bureau that developed projects for the private sector. Its decision making power to authorize on foreign capital investment without the Cabinet's approval was also removed in this process.⁴⁴⁶

Viewing from the perspective of the donor's sensitivity on the planning organization, the JP governments' demeanization of the SPO was a challenge to the demand of the donor. Parallel to this demeanization, the SPO was reduced a unit that approved the irrational use of the resources for their political considerations. The demeanization of the SPO created an awkward situation concerning the aid recipient's responsiveness. While the demanded planning organization's arrangements related to the form was completed, its functionality envisioned by the donor was nearly totally distorted.

Whether this distortion made a great difference or not with respect to the rational use of allocated resources is highly controversial. It seems that the recommendations for the planning organization were relied on the assumption of rationally functioned and well-checked bureaucratic system. In the case of Turkey this was a rather overoptimistic assumption. Due to the considerable corrupted nature of the high echelons of civilian bureaucracy, it is not possible to claim that rational use of available resources was assured by the ultimate control of the civilian bureaucracy.

⁴⁴⁶ *Journal of TBMM Records*, Term II, Volume 33, Meeting 4, 15 February 1969, Budget Debates of State Planning Office.

Emasculation of the SPO was one aspect of the anti-bureaucratic rally. In addition to this, the JP administration purged a considerable number of bureaucrats. Though their policy the same as the DP's, with respect to scope it was wider than its predecessor. Justifying their anti-bureaucracy rally by referring to the one party era and reminding the "brutalities" of the civil servants, the JP ruling circles were explicit in expressing their mistrust in the civilian bureaucrats. Besides, they exploited the phobia of communism by propagating that the RPP was equal to communists, as both lack religion. As the bureaucracy was traditionally identified with the RPP, it was also equal to communists, this meant that the bureaucracy was equal to pressure and brutality. Relying on this propaganda, the JP commenced its purging of the "leftist" and/or pro-RPP civil servants.⁴⁴⁷

This purging had various aspects. The civil bureaucrats were appointed as either an advisor who was never consulted or as a standing council of no significance. Mass appointments, rapid execution of these appointments, inappropriate timing of the appointments such as late autumn were the main methods that the JP applied. Like the previous governments to it, the JP appointed bureaucrats who were sympathetic to JP. When JP established the government by itself, one of its first policies was to make a wide-spectrum change at governors, district-governors and high-level officials. In this process, the criterion of appointing a person to a good place or post was whether the bureaucrat supported the JP or not, or whether he attempted any anti-JP initiative.⁴⁴⁸

⁴⁴⁷Ibid.; Weiker, *The Modernization of Turkey: From Atatürk to the Present Day*, p.31; Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, p.1727.

⁴⁴⁸*Journal of TBMM Records*, Term II, Volume 5, Meeting 1, 14,16 March 1966; *Journal of TBMM Records*, Term II, Volume 2, Meeting 1, 17 January 1966; *Journal of TBMM Records*, Term II, Volume 8, Meeting 1, 20 July 1966; Metin Heper, "Bureaucrats, Politicians and Officers in Turkey: Dilemmas of A New Political Paradigm" in *Modern Turkey: Continuity and Change*, ed., Evin, p.74-5; Metin Heper, *The State Tradition in Turkey* (Northgate: The Eothen Press, 1985), p.112.

The most debated legislation of the sixties that served the objective of purging bureaucrats was the legislation no 657. It was one of the first policies of the JP when it ascended to the government by itself in 1965. The legislation was arranged in a manner that while some state officials benefited from the State Official Legislation, others did not. This legislation was in essence shaped by the understanding of divide-and-rule principle in order to prevent a unified bureaucracy. Dodd defines one of the basic tenets of Turkish bureaucracy as lack of unity that would enable them to present a strong front to the government. The bureaucracy also lacked the strength to lead the country during times of political instability.⁴⁴⁹

In addition to these, in the scope of the strategy to preserve its autonomy vis-à-vis the civil cadres, the JP political elite preferred to ignore the decisions of the bureaucratic organizations including the Council of State and Supreme Court. In the 1965-71 period, the Council decided that a total of 1400 governmental decrees of appointments in the civil service as null and void. In this, the main motive of the Council was that the officials' duty was to implement the decisions of the government only, and not to share the views and philosophy of the government. The JP announced its respect for these decisions but responded only to forty of these decisions. Even for these, it did not let these bureaucrats to the post but only paid indemnity. The government members justified their ignorance of the verdicts by the rationale that as the elected body they relied on the most important source of power namely the will of the nation. Therefore the appointed did not have the right to interfere with the decisions of the political elite.⁴⁵⁰

⁴⁴⁹*Journal of TBMM Records*, Term II, Volume 9, Meeting 2, 16 December 1966; Dodd, *The Crisis of Turkish Democracy*, p.47.

⁴⁵⁰*Journal of TBMM Records*, Term II, Volume 5, Meeting 1, 14 March 1966; *Journal of TBMM Records*, Term II, Volume 33, Meeting 4, 16 February 1969, Debates on the Budget of Justice Ministry; *Journal of TBMM Records*, Term II, Volume 2, Meeting 1, 7 February 1966; Heper, "Bureaucrats, Politicians and Officers in

Evaluation of these policies with respect to their outcomes reveals that similar to the DP's experience, despite these policies, the JP failed to suppress the civilian bureaucracy to the level of total obedience. This was not due to the collective act or counter strategy of the bureaucrats but due to their role in the system. Whatever the strategy of the political elite or other components, the influence of the civilian cadres could not be eliminated up to a certain level.

At the end of the process, though the bureaucracy continued to preserve many of its rights, their loss was immense with respect to their preeminence in the coalition. Both Karpas and Heper define this loss with respect to the inability of the bureaucracy to stand as a unified body vis-à-vis the political elite. Heper stresses the highly politicized environment as the fundamental cause that served the disintegration of the bureaucracy. Parallel to the highly politicized and polarized nature of the society, which also sharpened the ideological features of the political parties, the decade witnessed the disintegration of the united front that the bureaucracy presented in the 1950s. The bureaucratic elite spread from right to left in the 1960s, a fact that prevented them to repeat a set of common values. This disintegration was in essence parallel to the high polarization in the society which also shaped the ideological stance of the political parties. Political preferences, especially those of high rank bureaucrats, became more diversified after 1961. One outcome of this was increased distrust in the political elite and political parties and the civil servants in comparison to the DP era.⁴⁵¹

Turkey: Dilemmas of a New Political Paradigm" in *Turkey and the West: Changing Political and Cultural Identities*, eds., Heper, Öncü and Kramer, p.74-5.

⁴⁵¹Karpas, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p. 6-7; Heper, *The State Tradition in Turkey*, p.109, 113.

Military Bureaucracy

The military bureaucracy differed from other components of the ruling elite coalition with respect to its presence. In contrast to the capitalists and rural elite as the ones involved in the coalition by the Republic and the civilian bureaucracy that represented continuity with the past regarding its presence in the coalition, the military bureaucracy was successfully excluded from the coalition by the political elite of the new Republic. Its re-involvement in the coalition was possible by the Military Coup of 1960 after which it preserved its presence through establishing mechanisms that reinforced its role in the regime.

Maneuvers aiming at subordination of military bureaucracy commenced even before the Republic. While military bureaucrats regarded themselves as undeniable factors in shaping the future of the country, the nation builders regarded their subordination as necessary since they had a wider sphere of action vis-à-vis other components.⁴⁵² Scholars studying the issue point out that Atatürk himself handled this subordination move due to the discontent of the military bureaucrats with his increasing dominance. In the scope of this move, he dictated the principle of the Army's non-interference with politics before the Independence. Despite various confrontations with the active and retired military officials who acted as MPs, the political elite regarded this principle as its guideline in shaping its relations with the military bureaucracy.⁴⁵³

Following the death of Atatürk, İnönü who was elected as the Second President of Turkey empowered his stance vis-à-vis the military by purging the higher rank military bureaucrats

⁴⁵²William Hale, *1789'dan Günümüze Türkiye'de Ordu ve Siyaset (Military and Politics in Turkey from 1789 to Present)* (İstanbul: Hil Yayınları, 1996), p.68.

⁴⁵³See Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*; Hale, *1789'dan Günümüze Türkiye'de Ordu ve Siyaset*; Şaban İba, *Ordu, Devlet, Siyaset (Military, State, Politics)* (İstanbul: Çiviyazıları, 1998); Weiker, *The Modernization of Turkey: From Atatürk to the Present Day*.

who were either more experienced or had the same experience.⁴⁵⁴ The military was dissatisfied due to the political elite's indifference to the prevailing problems in the military including type and age of the arms, reliance on animal power and other factors that reduced their operation capacity.⁴⁵⁵

This discontent led to the establishment of a secret organization within the army against the political administration in the late 1940s aiming to interfere in politics in case elections were held unfairly. Though this indicated the presence of discontented factors in the military in relation to the political administration, it was not possible to generalize it to the whole body of the military; instead, it was generally accepted that despite the problems the majority of the military officials were devoted to the one party regime that they were trained in.⁴⁵⁶

In sum, the one party regime was an era of reinforcing the stance of the political elite in the ruling elite coalition vis-à-vis the military bureaucracy. The policies aimed at making the military a security valve for the regime under the command of the political elite and the civilian bureaucracy. Naturally, pursued policies led to the emergence of groups within the military against the RPP administration, who were excited about realizing a multi-party era under a new ruling party.

In contrast to the high expectations, however, the military bureaucracy was subject to the same sort of attitude during the DP era. In contrast to the expectations of the military

⁴⁵⁴Iba, *Ordu, Devlet, Siyaset*, p.157.

⁴⁵⁵Secret Security Information, Analysis of Military Program to Turkey (22 May 1947 to 31 December 1951), RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56; Hale, *1789'dan Günümüze Türkiye'de Ordu ve Siyaset*, p.79,91,155.

⁴⁵⁶Aydemir, *İhtilal Çıkmazı*, p.14-5; Hale, *1789'dan Günümüze Türkiye'de Ordu ve Siyaset*, p. 87-8.

bureaucratic cadres, the DP political elite was not enthusiastic to deal with the problems of the military. This was disappointing for the military bureaucrats who had welcomed the ascension of DP hoping that the new political elite would leave the indifferent stance of the previous era.⁴⁵⁷

The interaction between the political elite and military bureaucracy during the DP era was distinguished by the political elite's distant, suspicious and indifferent stance. As PM identified the military bureaucracy with the ex-President, during the initial stages the feeling that military by the agitation of the ex-President toppled the new regime which was obsessed by him. Moved by the belief that by controlling the higher echelons of the military, the whole military could be kept under control, the political elite made great changes in the higher ranks of the army. As there was not such an overall change previously, this was regarded as a civilian coup against the military. By this move political elite established its authority on the army, at least on the higher rank of the military.⁴⁵⁸

In the rest of their administration the DP ruling circles never abandoned the principle of relying on higher ranks of the military while disregarding the majority's concern. Yet even this dealing with the higher echelons was not made properly. Ex-military officials claimed that instead of seniority or success in the profession, the political elite chose the highest echelons in a trial-and-error manner. In this selection period, for the first time in the history of military, a young staff colonel acted as Chief of Staff without a decree.⁴⁵⁹

⁴⁵⁷ Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*, p.21; Orhan Erkanli, *Askerî Demokrasi: 1960-1980 (Military Democracy: 1960-80)* (Istanbul: Gunes, 1987), p.308; Tekin Erer, *Türkiyede Parti Kavgaları (Party Struggles in Turkey)* (Istanbul: Ticaret Postası Matbaası, [yay.yıl]), p. 138.

⁴⁵⁸ Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p. 67; Aydemir, *İhtilalin Mantığı ve 27 Mayıs İhtilali*, p. 181-3; Aydemir, *İhtilal Çıkmazı*, p.15; İba, *Ordu, Devlet, Siyaset*, p.164-5.

⁴⁵⁹ Aydemir, *İhtilal Çıkmazı*, p.16.

According to the memoirs of the ex-soldiers, by time the enthusiasm for the new administration declined as the military grasped the indifference of the political elite. The political elite limited its task regarding the military which only to intervention with the higher echelons of the military while undermining various problems which were the source of contempt among the military officials. Including the inadequacy of the arms, ambiguity in promotions, inflation in the higher echelons, unsatisfying payments and low-living standards, these problems were frequently debated in the Parliament. Except polemical responses, the political elite did not show a genuine interest for the solution of these problems.⁴⁶⁰

Low payments, lower living standards and loss of prestige parallel to these two factors were the most debated issues. Critics referred to the direct proportion between the military's loss of prestige and low payments, which were devaluing due to the deteriorated economic conditions. The concrete indicator of loss of prestige was defined by the decrease in the number of students who wanted to be military officials. By adopting a humiliating tone, the political elite preferred to recommend some palliative solutions which did not touch the core of the problem. Instead of dealing with the problem they avoided finding solutions to the appeals of the military officials. The rationale beneath this avoidance was that military officialdom was a post of altruism and no one was keeping the military officials by force. The military bureaucrats were invited to try their chances in the civilian life if they had the belief that earning large amounts of money was easier in the civilian life. As an increasing number of military officials had to live in the shanty houses under worsening conditions, the

⁴⁶⁰ *Journal of TBMM Records*, Term IX, Meeting 2, Volume 18, 24 February 1952; Hale, *1789'dan Günümüze Türkiye'de Ordu ve Siyaset*, p.91; Erkanli, *Askerî Demokrasi:1960-1980*, p.9; Tekin Erer, *Yassıada ve Sonrası (Yassıada and Its Aftermath)* (İstanbul: Rek-Tur Kitap Servisi, 1965), p.36-9; Aydemir, *İhtilal Çıkmazı*, p.16.

unresponsiveness of the political elite became the factor that contributed more to the alienation of the military.⁴⁶¹

There were similarities in political elite's dealing with the civilian and military bureaucracy in order to reinforce its stance vis-à-vis them. Regarding the military, the political elite did not correct the ambiguities in the promotions in rank as these ambiguities enabled political elite to take arbitrary initiatives.⁴⁶² The problem inherited from the RPP augmented to such a degree that the promotions as well retirements were carried out without certain rules but according to the dictates of the frequently changed National Defense Ministers. Critics of these practices pointed out the inappropriateness of these policies as they dishonored and humiliated the officials, particularly the high rank officers most of whom did not know the reason of their retirement. Similar to the policy line in dealing with the civilian bureaucrats, the DP political elite manipulated the retirement of the officials. In cases where the military officials appealed to the judiciary, verdicts of the judiciary were denied by the rationale that decision of the legislative elected by the will of the nation could not be limited or challenged by the appointed.⁴⁶³

In sum, until the Coup of 1960 the military bureaucrats were excluded from the ruling elite coalition. Consistent with the role defined for them by the nation builders they were kept as a subordinate segment under the political elite. In the process, augmentation of problems regarding military parallel to the indifference, even humiliation by the political elite promoted an appropriate environment for the Military Coup of 1960. Yet Keyder refers to another

⁴⁶¹See *Journal of TBMM Records*, Term X, Volume 5, Meeting 1, 22 February 1955, 1955 Fiscal Year Budget Legislation, Debates on National Defense Ministry Budget; Weiker, *The Modernization of Turkey: From Atatürk to the Present Day*, p.39, 102; Erer, *Yassıada ve Sonrası*, p.36-9; Aydemir, *İhtilal Çıkmazı*, p.16, 264; Hale, *1789'dan Günümüze Türkiye'de Ordu ve Siyaset*, p.95.

⁴⁶²*Journal of TBMM Records*, Term IX, Volume 20, Meeting 3, 22 February 1953.

⁴⁶³*Ibid.*; *Journal of TBMM Records*, Term IX, Volume 28, Meeting 4, 23 February 1954.

important factor, namely the belief that the DP betrayed the Kemalist ideals that accelerated the process that led to the Coup. Keyder points out that developments regarding the rebalancing of the ruling elite coalition were, in fact, departures from the Kemalist path. This raised the possibility of resentment among the military, particularly the senior military officials who were still of “a generation educated by Kemalism”.⁴⁶⁴

The process, on the other hand, provided the opportunity for the military bureaucracy, whose stance in the ruling elite coalition deteriorated by the RPP political elite, to reassert its position. Without undermining the social dimensions of the military coup of May 27 1960, its analysis with respect to elite interaction indicated that it was an attempt of the military bureaucracy to reassert its position and intervene with the rebalancing of the ruling elite coalition that departed from the Kemalist line to a great extent.

Assessment of the 1960 Coup from the elite interaction perspective revealed its importance with respect to the military bureaucracy. By its intervention the military bureaucracy became one of the permanent components of the ruling elite coalition. This was a reassertion for the military since it was not a new component such as the rural elite or capitalists. Instead it was an important component of the coalition of the imperial era. As one of the initial arrangements, insistence of the military administration to change the position and rank of the Chief of Staff's in the state hierarchy was very meaningful in this respect. Instead of being responsible to the National Defense Ministry, the Chief of Staff became responsible to the Prime Ministry and was appointed by the President. By this arrangement, the rank of the

⁴⁶⁴Keyder, “The Political Economy of Turkish Democracy”, p.46.

Chief of Staff in the state protocol became the fourth place following the President, Speaker of the Parliament and the Prime Minister.⁴⁶⁵

In this reassertion, the military bureaucracy established mechanisms that served the institutionalization of its position in the elite composition. These mechanisms were regarded as precautions to avoid any future possible attempts against its stance within the elite coalition. While, by the establishment of the National Security Council, it formed the political bastion of its stance, by the Army Mutual Solidarity Fund (acrimony in Turkish is OYAK) it created an economic bastion.

The first crucial arrangement regarding the balances within the elite coalition was the establishment of the National Security Council (NSC) in 1961. Its establishment indicated new balances in politics and administration. By this the military bureaucrats reinforced their stance in the ruling elite coalition vis-à-vis other components of this alliance. It was the mechanism to prevent ignorance of their views by the civilians in the future. As a permanent arrangement the NSC indicated the envy of the military bureaucrats, which they reasserted by the Military Coup of 1960 since the NSC assigned an integrated role to the ruling circle of the military as military and political elite. In the NSC, leaders of the armed forces and the Chief of Staff convened with the top civilian leadership under the chairmanship of the President to consider all matters related to the security of the state and national interest. This was the legal forum that enabled the military bureaucrats to express their views to the civilian politicians.⁴⁶⁶

⁴⁶⁵Iba, *Ordu, Devlet, Siyaset*, p.191-2.

⁴⁶⁶Ibid.; George S. Harris, *Turkey: Coping With Crisis* (Colorado: Westview Press, 1985), p.161.

While the National Security Council formed the political bastion of the military's stronghold in the elite coalition, Army Solidarity Fund (OYAK) was designed as the economic bastion of this stronghold. Established by legislation no 205 on 1 March 1961 OYAK was justified at public as an additional social security for the military officials to meet their health expenses and provided pension. Experiencing the humiliation of the low life standards during the DP era, this establishment was met by great enthusiasm from all ranks of the military.

Yet its establishment from the strategic viewpoint indicated the vitality of OYAK for the elite considerations of the military. The military elite regarded OYAK as a precondition to have a realistic basis for the military's stance in the ruling elite coalition with respect to other components, particularly the capitalists. Memoirs of one of Turkey's tycoons shed light to the fact that from the very beginning the military determined its route to become a big capitalist entrepreneur. Vehbi Koc stated that a competitive atmosphere was observed between the capitalists and the military officials responsible for the drawing of the strategy for OYAK. As they assigned OYAK a role more than being an insurance organization, these military authorities rejected recommendations of the three industrialist members of the Executive Board of OYAK. First of the confrontations was whether OYAK would be involved in the construction of the houses for its members or not. Against the tendency of the military members for this involvement, civilian members opposed the idea on grounds that construction was an expensive business that should not be considered. Instead they suggested bidding of tenders for these constructions.⁴⁶⁷

The second issue was related to OYAK's involvement in food sector through the Army Markets. Civilian members opposed this idea on grounds that it was a risky business due to

⁴⁶⁷Vehbi Koç, *Hayat Hikayem* (İstanbul:[yay.yer],1973), p.112.

the possibility of deterioration of the purchased goods, inefficient marketing or overstock that would result in out-fashioned goods. The third issue that civilian and military officials confronted on was related to OYAK's involvement in industry. The civilian members opposed the idea of OYAK's undertaking management of industrial establishments. They suggested partnerships in the fields that Industrial Bank and Is Bank offered it, instead of management. The military members of the Executive Board refused to accept these recommendations of the civilian members by implying that they were deliberate misapprehensions as the civilian industrial members regarded the establishment of OYAK against their interests.⁴⁶⁸

Following this confrontation the civilian members did not attend the Executive Board meetings. Yet the process revealed the avoidance of their recommendations and the pursuit of the strategy that military authorities defined for OYAK's role in the system. As a result of this, in the early 1970s, OYAK turned to be one of the greatest monopolies in the country which had diversified investments in various sectors such as construction, tourism, insurance, automotive industry as well as intermediary industry such as refrigerator, cement, petro-chemistry and food processing. In the diversification of the activities, it did not hesitate to seek the partnership of foreign capital. The radical critics of these initiatives in economic activities defined them as the military's being in a compromise with the existing capitalist order. Those who did not make such a claim, on the other, accepted that by OYAK the high ranking soldiers accepted to a degree the economic status quo.⁴⁶⁹

⁴⁶⁸Ibid.

⁴⁶⁹Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, p.1734-5; Hale, *Türkiye'de Ordu ve Siyaset: 1789'dan Günümüze*, p.153-4; Suat Parlar, *Silahlı Bürokrasinin Ekonomi Politikası (Political Economy of Military Bureaucracy)* (İstanbul: Bibliotek, 1997), p.77-8.

Remembered by many as the military coup that presented a liberal and democratic Constitution to Turkey, the Coup's role in the successful arrangements related to the military bureaucracy's position in the ruling elite coalition was assured through the established mechanisms of NSC and OYAK. While the liberal and democratic Constitution of 1961 became a memory for the nation, the above-mentioned arrangements survived and continued to shape the macro policies of the country.

The nature of the interaction between the military and other components could be grasped through the unattained policy statements and undertakings of the military even when their authority was at its peak in the immediate aftermath of the Coup. Analysis of the military administration era reflected that the military administration did not repeat the same success that they had in the establishment of the mechanisms for its own strategic considerations with respect to elite coalition. By time they withdrew policies including land reforms and tax arrangements which they had defined as crucial to attain a genuine development.

These withdrawals reflected that the military elite did not have the intention of challenging the stance of other components. Instead in a compromising manner the military reasserted its stance within the coalition that was denied to the military bureaucracy during the Republican era. This preference of a compromising attitude in their dealing with other components also shed light on the expulsion of the fourteen radical and utopian members of the military committee who involved in the Coup and insisted on the military's remaining in power until the real strides such as land reform, health reform, education reform, social solidarity reform and reform in religion, defined as the social reforms, were taken in the field of social development.⁴⁷⁰

⁴⁷⁰For the viewpoints of 14s see Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*; also Memoirs of Alpaslan Turkes and Dundar Seyhan.

In the immediate aftermath of the Coup the military administration expressed its discontent with the existing feudal structure. In this they referred to East Anatolia where there were captured lands in which the peasants were exploited by *agas* and *seihks*. Emphasizing their decisiveness to end this feudal order, the military administration stated that land would be distributed to the peasants who were the cultivators and they would be the owners of the land that they cultivated.⁴⁷¹

Similarly in the program of the first military government various crucial issues related to the allocation of resources were mentioned. In addition to the just land reform, non-partisan and non-concessionaire distribution of bank credits, end of emission to distribute credits, and reform in the SEEs particularly with respect to prevention of their financing from the Central Bank resources⁴⁷² as an inflationist policy were the main points that were related to the allocation of the resources as well as challenging the interests of ruling elite components.

This pattern of thought also shaped the Constitution. By the 1961 Constitution the military administration paid special attention to taxation, land reform, nationalization of private enterprises and social rights. Ozbudun defines this interest as the military administration's genuine concern on the redistribution of the wealth and income as well as calling for the State to intervene to minimize the inequalities. Based on the social justice principle, the Constitution defined the criterion of taxation as; everyone had to pay taxes according to his financial capacity (article 61). Enforcement of this article would challenge the interests of those who enjoyed tax exemption or extensive rebates from the taxed amount. Another attempt of this sort was related to the land reform. By a favoring stance for the poor and landless peasant, the Constitution made an important exception regarding the payment of the

⁴⁷¹Program of the First Gürsel Government, 11 July 1960.

⁴⁷²Ibid.

expropriation compensation. In contrast to its immediate and full payment, it called for its payment in equal installments for twenty years at maximum. The law would determine the interest rates for this repayment.⁴⁷³

Another important measure with respect to allocation of resources was the nationalization of the private enterprises. The defined criterion for this measure was that the nationalization had to be for the public interest and the nationalized enterprise was in the nature of a public service. The law would determine the compensation payment and repayment period would not exceed a decade. In the sphere of social rights, the Constitution defined two categories. The first aimed at the protection of the workers vis-à-vis the employer by the recognized right of unionization, strike, collective bargaining and a paid rest. The second category was related to social security, medical care as well as housing, as new impositions on the State.⁴⁷⁴

Examination of the military administration's policies, however, revealed either impracticality or momentariness of the practices related to these policies.⁴⁷⁵ This examination also underlined the difference between being the government and being in power. As the change of the administration from the civilian to the military did not change the status of the existing elite groups, the seemingly ultimate power of the military seems to be an illusion. If the claim of an ex-military officer is regarded as true, a good example of this limited power was revealed in the case of the production of the first national automobile. He points out that the low-quality produced national automobile, half of the material of which was also importation, namely *Anadol*, was the cunning trick of the Turkish capitalists who were in full collaboration with the foreign capitalists to kill Cemal Gursel's idea of establishing automobile industry in

⁴⁷³Ergun Özbudun "Income Distribution As an Issue in Turkish Politics" in *The Political Economy of Income Distribution in Turkey*, eds., Özbudun and Ulusan, p.65.

⁴⁷⁴*Ibid.*, p.66.

⁴⁷⁵Yerasimos, *Az gelişmişlik Sürecinde Türkiye, 3: I. Dünya Savaşından 1971'e*, p.1421-3.

the country. According to this ex-soldier, the reason for sabotaging was the challenge of the interests, and financial profits of the importer capitalists, including the business tycoons. Though the country would have made great profits from the automobiles production, in such a case the loss of these importers would be great.⁴⁷⁶

Related to the early abandonment of some policies which were declared as crucial for the attainment of social development such as land reform, and taxation policies, Karpaz indicates the military's withdrawal from the idealistic rhetoric in the face of a complex network of relations among the ruling elite coalition. He also defines this as the reason for military's relatively early leaving of the administration to civilians. In the words of Karpaz the military administration's early perception that a simple military dictatorship could no longer deal with the *complex pressures of an increasingly differentiated social structures* (emphasis is added) was the reason why military relinquished its power to civilians.⁴⁷⁷

Hale refers to the same aspect in explaining the expulsion of the 14s from the military committee. Hale points out that this cleaning within the Committee in a very short time was in fact an attempt to put the Committee in order. This was the purging of the utopians who failed to grasp the complexity of the existing relation networks. The committee members, who were known as 14's supported a long-term, may be permanent, military administration due to their distrust in the civilians. Regarding the 14s as radicals, the majority of the NUC inclined for a short-term stay, a time period that would be enough for them to put things in order.⁴⁷⁸

⁴⁷⁶Avni Elevli, *1960-65 Olayları ve Batırılmayan Gemi Türkiye (1960-65 Events and Unsunk Ship Turkey)* (Ankara: Balkanoglu Matbaası, [yay.yıl.]), p.400-1.

⁴⁷⁷Karpaz, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, p.125.

⁴⁷⁸Hale, *Türkiye'de Ordu ve Siyaset: 1789'dan Günümüze*, p.119.

In sum, the appropriate environment for the military coup of 1960, prepared by the uncoordinated and irresponsible policies of the civilian administration of the 1950s, paved the way for the military bureaucracy's reassertion of its stance within the ruling elite coalition. In this reassertion it also created the mechanisms, which reinforced its position within the coalition in the process. Despite its idealistic rhetoric regarding far-reaching social reforms, the military elite, in a short while, perceived the degree of autonomy that it enjoyed in the face of complex network of relations networks in the society. Though it endowed the society with liberal democratic rights by the 1961 Constitution, in a decade's time again due to the interplay of various factors under the appropriate circumstances it contributed to the interests of other components of the ruling elite coalition by restricting these liberal rights of the mass.

Concerning this identification of interests, some scholars point out the pro-capitalist arrangements that military memo of 1971 provided. For the capitalists the military intervention of 1971 was like a saving mechanism since they had difficulty in coping with a highly politicized society. The increasingly differentiated society with its dynamism, activism and militancy began to pose serious challenges to the ruling elite coalition, particularly to the industrial capitalists. Parallel to a strong trade union movement, the wave of strikes challenged the interests of capitalists, both national and foreign. Arrangements which purged the liberal elements of the 1961 Constitution prepared under the surveillance of the military administration of 1960, aimed to eliminate these challenges. In essence, these arrangements not only eliminated the challenges but also served the big capitalists' consolidation of power. This consolidation was possible through various economic policies such as expansion of bank credits and provision of various incentives including cheap money to the capitalist circles and arrangements regarding labor market such as proscription of strikes, restriction of right of

association.⁴⁷⁹ The proscription of right of strikes and restrictions on the trade unionism were justified and propagated by other elite components on the ground that Turkish public was yet immature for these democratic rights.

Another important feature of the military interventions in Turkey is related to their Western orientation. This is neither surprising nor unexpected; instead it represented a continuity of at least two-centuries long tradition of Westernization of the military. However, in the Cold War context, the interaction between the military bureaucracy and the USA represented a more complex nature. This could not be explained only with respect to the military's western orientation. Depending on the country's geopolitical importance in the Cold War era, the military was the direct beneficiary of the foreign aid allocations. Therefore, the Turkish military bureaucracy was the ruling elite component that had more stable relations with the donor. Confirming Turkey's alliance with the Western Bloc in the immediate aftermath of the Military Coup of 1960, the military bureaucracy proved its act's difference from the Iraqi Revolution of 1958. While the latter emerged as the response to the discontent of the pro-Western policies of the country, the Turkish military coup did not have such a claim. Instead, the military bureaucracy put Turkey's relations with the Western countries in order, which were deteriorated during the last years of the DP era. By making arrangements such as establishment of a planning organization and purge of the inflated high ranks in the Turkish military⁴⁸⁰, the military bureaucracy was responsive to the concerns of the Western Bloc.

⁴⁷⁹The relevant literature includes Koç, *Hayat Hikayem*; Harris, *Turkey: Coping with Crisis*; Keyder, "The Political Economy of Turkish Democracy"; Huseyin Ramazanoglu "The Politics of Industrialization in A Closed Economy and the IMF Intervention of 1979" and Feroz Ahmad, "Military Intervention and The Crisis in Turkey" in *Turkey in the World Capitalist System*, ed., Ramazanoglu; Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*; Dodd, *The Crisis of Turkish Democracy, Second Edition*; Heper, *The State Tradition in Turkey*; Parlar, *Silahlı Bürokrasinin Ekonomi Politikası*; Hale, *Türkiye'de Ordu ve Siyaset: 1789'dan Günümüze*; Karpat, *Social Change and Politics in Turkey: A Structural-Historical Analysis*; Yerasimos, *Az gelişmişlik Sürecinde Türkiye*; Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*.

⁴⁸⁰Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.90.

However, the military intervention of the 1970 was different from the one in the 1960. Instead of administrating the country, the military warned political elite about the prevailing anarchy in the country. It implied that unless the civilian administration had a determination in solving these problems, then the military had the right to take over the country's administration. Though it was not the military bureaucracy that made arrangements following the Memo of 1970, it could be concluded that the military paved the way for the appropriate environment that the USA also welcomed. First of all, it was the so-called reform government that banned poppy cultivation that the US administration asked for a long time. Suppression of the mass movements and labor trade unionism in the country⁴⁸¹ after the Memo served also the interests of the foreign companies in the country.

As a concluding remark, it can be stated that owing to its empowered position within the ruling elite coalition, the military bureaucracy has been an important determinant in politics and resource allocation. Through establishing mechanisms, the military bureaucracy achieved the institutionalization of its interests. The National Security Council (NSC) enabled the military bureaucracy's continuous participation in the decision-making process on the most strategic national issues. Its establishment indicated new balances in state administration. The political elite who represented the national will have to share its decision-making power with the military bureaucracy.

⁴⁸¹See Keyder, "The Political Economy of Turkish Democracy"; Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*

II. Ruling Elite Coalition of Indian Federal Republic, 1947-73

By the time of Independence, Indian ruling elite coalition comprised political elite, industrial capital, rural elite and civilian bureaucracy. At the dawn of the new era each component had its expectations and visions regarding the future. The political elite and the majority of the industrial capital enjoyed Independence. For them this new era offered new opportunities without the dominance of foreign rule. While this was a common feeling among these components, the same was not true for the rural elite. As they owed their emergence as well as perpetuation of their interests to the British rule, they were not among those who participated in the anti-British movement.⁴⁸² The civilian bureaucracy, on the other hand, had mixed feelings due to the ambiguity of their stance in the new regime. They were aware of Nehru's and other leading figures anti-bureaucratic feelings as they identified the civilian service with the British rule. The civilian service was known as the "steel frame of Empire" and its members were "the men who ruled India"⁴⁸³ regardless of the concerns of the Indian public.

Examination of the policies reflected this tensioned dialect between the components. The process was shaped by the interaction between these components for the sake of dominance in the coalition. According to their power to affect the process these components shaped the development policies. While this interaction between components represented one dimension, the other dimension was related to the mass. In the latter the interaction was shaped as ruling elite versus the mass. In this section, first the interaction of the Indian ruling elite and the mass is analyzed in order to reveal the process that led to the discrepancy between the rhetoric and practice in economic and social development process. Following this the interaction

⁴⁸²Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.115.

⁴⁸³Richard P. Taub, *Bureaucrats Under Stress: Administrators and Administration in an Indian State* (Calcutta: Firma Mukhopadhyay, 1969), p.6; L.P. Sharma, *The Indian Ruling Class: A Historical Cum Sociological Study of Indian Affairs After Independence* (New Delhi: Harnam Publications, 1982), p.59.

between the ruling elite components is analyzed as to diagnose how the confronting components manipulate the process for their own sake. The analyzed policies are limited to those that affected the development policies and domestic savings such as taxation and incentives.

Interaction between mass and the ruling elite coalition

In 1947 Indian ruling elite coalition comprised the dominant interest groups in a society where majority of the population lived in rural areas distinguished by widespread abject poverty. The mass was highly mobilized by gaining Independence for which they waited and struggled so long. For the majority of the rural population Independence meant ending of the era when they were exploited by the British system. The leaders of the National Movement defined the Independence as the termination of this exploitation era. They depicted a “promised land” to the majority of rural population without any exploitation. The motto they adopted for this “promised land” was “land to the tiller”. These rising expectations of the majority of the Indian rural population, which were manipulated by the leaders of the National Movement, became more alarming in the Asian context due to the so-called ‘social revolution’ in Asia. This was the name given by the American diplomats regarding the rising expectations of the Asian people shaped by the belief that something “must and could and would be done about their lot.”⁴⁸⁴

The political elite, mostly including the leading figures of the National Movement, was aware of the expectations of the mass and expanding communist danger in the country. They set up ideological settings to touch on the expectations of the mass. Nehru’s political rhetoric was the so-called Nehru socialism that promised a more egalitarian social order. As a pragmatic

⁴⁸⁴Confidential Memorandum written by Harlan Cleveland, 16 March 1951, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Assistant Administrator for Program Deputy Assistant Administrator, Country Files of Harlan Cleveland, Deputy Assistant Administrator, 1949-53, Far East.

interpretation of socialism,⁴⁸⁵ in the framework of Nehru socialism, Indian policymakers were able to reinforce capitalist relations in the Indian society.

Despite the announcement of its being a pragmatic interpretation by Nehru, relying on his statements, not only the mass but also some segments of Indian capitalists thought that India was led to a socialistic pattern of society. When Nehru announced his socialistic tendencies, some segments of the Indian capitalists reacted to this vehemently on the grounds that these principles endangered the private property rights of the individuals. Panicked by this principle, they signed a manifesto against socialism and communism while openly attacking Nehru. It was G.D. Birla, the mouthpiece of the organized big capital in India and main financier of the National Movement among the Indian capitalists, who opposed this initiative. He criticized those who signed the manifesto on the grounds that any explicit opposition to socialism meant antagonism of the mass. As the general tendency in the Congress, which was against socialism, as revealed in various sessions, Birla questioned why the capitalists increased the antagonism of the mass by openly opposing socialism and advocated the rights of capitalists.⁴⁸⁶ Regarding Nehru's socialistic recourse as a means to keep the masses in their place to prevent their radicalization, this logic of Birla never changed and also shaped the stance of the big capital to a great extent.

The creation of an ideological setting that correlated with the expectations of the mass was not a one-stop policy. Instead it was a strategy that represented a continuation regardless of the era. Following his father, Indira Gandhi, in the face of widespread poverty as well as increased radicalization of the peasants, adopted *garibi horatio*, eradication of poverty rhetoric. For Gandhi, adoption of *garibi horatio* was a matter of survival not for her political

⁴⁸⁵Banerjee and Ghosh, "Indian Planning and Regional Disparity in Growth", p.105; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.205.

⁴⁸⁶Acharya, *Nehru Socialism: Colonialism, Capitalism and Ideology in the Making of State Policy*, p.118-9.

career but also for the continuation of the regime. In a speech that she made in December 1970 at a session of Associated Chambers of Commerce and Industry Gandhi hinted the possibility of a mass movement against the country's administration that would be "swept away" by this movement unless the administration achieved the egalitarian distribution of prevailing resources. Not only the message but also the audience was crucial. This can be interpreted as her underlying of the fact that the adopted policy was for the sake of all vested interests.

The concrete policies were in conformity with the created ideological setting. The first stage of the agricultural development policy gave the impression that the political elite was responsive to the expectations of the rural mass. The adopted agricultural development policy aimed cooperative farming, Community Development Programs and land reform policies including abolition of intermediaries, tenancy reform act, and ceiling on landholdings. The overall objective of these policies was defined as attainment of a more egalitarian social order as well as creation of productive and consuming peasants.⁴⁸⁷

Analysis of these policies reveals that they aimed to annihilate the semi-feudal structures in rural India which were remnant of the British administration. An important feature of these policies was their pro-capitalist orientation. The capitalist orientation of these policies was revealed first in the objectives of cooperative farming. This was a scheme designed to increase agricultural productivity as well as transforming villages to economically viable units via producing marketable surplus. In addition to this, the Indian political elite aimed at

⁴⁸⁷See Journal of Lok Sabha Records of the 50s and the 60s; Dispatch from American Embassy in India to Department of State, 23 May 1950, RG 59, Decimal Files, India: Internal Affairs, 1950-54, NARA, Microfilm, Reel 51; *Restricted Report on the Agrarian Problem of India*, Department of State, Office of Intelligence Research, 8 March 1951, RG 469, Records of US Foreign Assistance Agencies, 1948-61, Far East Division South Asia Country Subject Files, 1950-52, India: Agriculture and Agricultural Commodities; Khanna, *Rural Development in South Asia: India*, p.32-4; Randhawa, *A History of Agriculture in India: 1947-1981*; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.47.

expanding mechanized agriculture through these cooperatives.⁴⁸⁸ All these indicated a scheme of capitalist rural economy where the peasant not only produces but also consumes more. The other indicator of this capitalist scheme was observed in the flexible measures of land reform legislation. Relying on the “resumption right” or purchase measures the former intermediaries were allowed to possess very big farms, which were feasible for mechanized farming.

The second stage of agricultural development policy (1966-1974) was apparently capitalist in approach, orientation and objectives. The adopted intensive agricultural techniques which required huge capital as well as appropriate climatic conditions excluded the majority and aimed at the individual-based development. These policies were shaped by trickle-down principle assuming that the wealth level reached by the “progressive” farmers would trickle down to all segments of rural structure in the process.⁴⁸⁹ This policy along with incentives for its expansion served the acceleration of capitalist mode of production in rural areas.

Therefore, as the above-mentioned analysis reveals, the agricultural development policies had two dimensions. First of all, at least on paper, the political elite gave the message to the mass that they were taking some crucial steps to attain the “promised land”. Secondly, parallel to the objectives of the economic development as well as to the urgent needs of the country, the political elite attempted to annihilate the semi-feudal structures while promoting capitalist relations. The cooperative farming as well as land reform policies fell into the second category of interactions, namely intra-elite confrontation. Yet, in this confrontation the

⁴⁸⁸Memo from American Embassy in India to Department of State, 23 March 1950, RG 59, Decimal Files, India: Internal Affairs, 1950-54, NARA, Microfilm, Reel 51; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.112.

⁴⁸⁹Memo from American Embassy in India to Department of State, 23 March 1950, RG 59, Decimal Files, India: Internal Affairs, 1950-54, NARA, Microfilm, Reel 51; Sau, *India's Economic Development: Aspects of Class Relations*, p.8; Rao, *Nehru and Planned Development*, p.40.

concern of the political elite was not the stance of the rural elite but its function, more truly de-functionality, in the rural social structure.

The Green Revolution, on the other hand, represented the first category of interaction, namely the ruling elite versus the mass. Promotion of this policy was done at the expense of the lower segments of the rural social structure. They were impoverished to a great extent due to direct and indirect policies of the political elite. Parallel to this, while the political elite served the diversification of rural elite as big landlords and capitalist farmers, by these policies they also served the interests of the industrial capital, which necessitated high agricultural productivity and expanding domestic market.

Policies regarding the industrial capital reflected the same tendencies. In his 'socialistic' appeal to the nation, Nehru assured not only a less exploitative system but also a creation of mechanisms to prevent concentration of power and resources into few hands. The latter was an implication related to the industrial capital whose distinguished feature was being monopoly capital as another remnant of the British era. Diagnosing the anxieties as well as complaints about the mixed economy, which enabled a huge maneuvering field for the private capital, Nehru emphasized the GOI's endeavors for a decentralized social order.⁴⁹⁰

The main mechanism that GOI developed to this end was the licensing system. Enacted in 1951 under the name of Industrial Development and Regulation Act, licensing aimed at preventing concentration of resources and economic power in few hands, unbalanced regional

⁴⁹⁰Rao, *Nehru and Planned Development*, p.7-8; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.203, 206.

dispersal of industrial establishments and inhibition of development of small-scale industries through the rational allocation of resources by the State in a socially optimal way.⁴⁹¹

Evaluation of the outcomes of licensing system, however, revealed just the opposite of this rationale. Instead of social optimality the distinguished feature of the system was allocation of resources to the monopolist capital. The big industrial capital institutionalized its monopolistic power through exploiting the loopholes in the legislation as well as using their better connections and better access to get the lion's share in the bureaucratic allocations of the licenses. They also restricted the new comers' entrance into the sector. This behavior of the big industrial capital caused the disproportionate distribution of the licensing in favor of the top industrial houses. Owing to their influence in the system, these monopolist capitalists distorted the country's investment priorities and also aborted their conversion to installed capacities. As they began to dominate production, in a protected domestic market they preferred to produce low quality products. Besides, they contributed extensively to the regional disparities in the country.⁴⁹²

When the ineffectiveness of this mechanism became evident in the mid-1960s the political elite attempted to revise it. Yet, in a short while it faced the dilemma of extending new incentives or aborting the system as the country's industrial production began to decelerate. The political elite chose the first way for the sake of increased production. It was at that time the Commission in charge of investigating Monopolies concluded that concentration of economic power on a country basis was good for the economic development of the country.

⁴⁹¹D.Amarchand, *Government and Business* (New Delhi: Tata McGraw-Hill Publishing Company Limited, 1985), p.43; Ahluwalia, "Contribution of Planning to Indian Industrialization", p.261.

⁴⁹²Journal of Parliamentary Records, List of Demands from the General Budget, 1950, 1962; Francis Cherunilam, *Industrial Economics: Indian Perspective* (Bombay: Himalaya Publishing House, 1989), p.35; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.103; Bardhan, *The Political Economy of Development in India*, p.41.

Though the degree of the concentration of the economic power in the private sector was more than what could be justified, the Commission did not suggest dissolving the existing monopolies but taking precaution against future monopolistic development.⁴⁹³

This enabled the industrial capital to exploit the system more. They increasingly created unlicensed capacities. In contrast to the expectations they were never punished but in many cases actually rewarded by subsequent regularization of such illegally created capacities. Commencing in the late 1960s, the political elite was insensitive to the uproar in the country against proved corruption cases in delivering licensing. The corruption stood just the contrary of the verification of licenses. Even though the claim was licenses were derived according to the national interest, and not according to narrow party or personal interest, which were guiding the government's decisions. In fact, as many critics pointed out the political elite was helpless vis-à-vis the monopolist capital as the latter institutionalized the manipulation of prevailing loopholes in the system.⁴⁹⁴

Another issue related to the monopoly capital was nationalization of the existing private establishments. It was brought to the agenda more frequently than other issues as the leftists regarded it as an ideological concern. As a pragmatic socialist Nehru was firm in his opposition to this demand. Defining it as unrealistic and done for the sake of some theoretical debates, he stated that unless nationalization served productive ends it was not meaningful in a resource-short country like India. Pointing out the financial dimension of nationalization,

⁴⁹³ *Journal of Lok Sabha Records*, Debates on Hazari Report, 6 March 1968, p. 1934-5; *Journal of Lok Sabha Records*, Debates on Industrial and Licensing Policy Reports, 7 March 1968, p. 2249; Misra, *Government and Bureaucracy in India, 1947-76*, p.307.

⁴⁹⁴ *Journal of Lok Sabha Records*, Debates of No-Confidence Motion Against the Government, 29 July 1970; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.19; B.L. Bajpai and Rajat Batra, "The New Economic Policy-Background and Challenges" in *Economic Problems of Modern India*, ed., Madan, p.99-100; Acharya, *Nehru Socialism: Colonialism, Capitalism and Ideology in the Making of State Policy*, p.210.

namely a huge amount of compensation, Nehru expressed the political elite's preference to earmark such a huge amount to new fields and new production units.⁴⁹⁵

Commencing in the late 1960s, various establishments including fourteen major commercial banks, general insurance companies, coalmines, textile and copper industries were nationalized by the GOI. On the eve of these nationalization acts, PM Gandhi defined them as the public sector's initiative to curb concentration of economic power in certain hands. Supporting the nationalization acts, PM Gandhi stated that if the nationalization were for the interests of the country, the GOI would not have hesitated to nationalize. In her claim nationalization was explained as an act mainly to restrict the growth of monopolies through industrialization.⁴⁹⁶

By this claim Gandhi totally departed from her father's concerns. Though the fact of huge compensation did not change, the conjuncture changed totally. In contrast to the high electorate support of the 1950s, in the late 1960s the CP, to a great extent, lost its electorate support. Interpreted this as a warning, Gandhi decided to adopt a radical program that touched upon the discontent of the mass who began to express themselves in various movements such as the Naxalite movement, in different parts of India.⁴⁹⁷ Nationalization issue was the main pillar of this radical program.

⁴⁹⁵ *Journal of Indian Constituent Assembly Records*, Big Capital Debates, 17 February 1948, p.826; *Report on India's Progress Toward Development* by American Embassy, 9 January 1956, RG 84, Records of Foreign Service Posts of the Department of State: India, General Records, 1956-58; Rao, *Nehru and Planned Development*, p.7-8; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.203, 206.

⁴⁹⁶ *Journal of Rajya Sabha Records*, Indira Gandhi's Reply to Criticisms, 20 March 1972; Madan, *Congress Party and Social Change*, p.169.

⁴⁹⁷ Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.264.

A serial of nationalization acts commenced by the nationalization of the general insurance, a sick industry with insignificant resources, meager profits and structural deficiencies. This was followed by nationalization of coalmines, another long debated issue that commenced even before Independence, exactly in 1937. Its nationalization was supported by referring to the great coal loss due to the highly deteriorated structure of the mines, unscientific extracting of the coal due to the increase in cost of labor, plant and equipment. Though modernization of methods and equipment was defined as a remedy for stagnancy in the production, the coalminers were either reluctant or unable to make investments for their modernization. The same was true for the textile industry. Being the oldest and one of the major industries in India, it was distinguished by lower production rates that failed to meet the national requirements. The GOI decided to nationalize it instead of extending huge credits for its modernization.⁴⁹⁸

These were followed by nationalization of mineral and metal industries. In the scope of this activity, first a steel-producing unit was nationalized, fifty percent of the shares of which belonged to the state and in which production had considerably decreased since the mid-1960s. Copper industry's nationalization was also justified by the same reason of low productivity as well as ending the monopolistic control over its raw material.⁴⁹⁹

Though these nationalized branches were crucial, nationalization of the fourteen commercial banks stood at the core of the nationalization concept. Its interpretation as an ideological act led to the split of the CP in 1969. Against the splitting members' claim that it was an act that

⁴⁹⁸Quoted from *Journal of Lok Sabha Records*, 2 June 1971,p.188; Madan, *Congress Party and Social Change*, p. 122-3, 159, 161.

⁴⁹⁹*Journal of Lok Sabha Records*, 21 August 1972, col.333-4; Madan, *Congress Party and Social Change*, p.150.

led the country to totalitarianism,⁵⁰⁰ the PM Gandhi stated that by this nationalization the government ensured the public sector's control and direction of the commanding height of the economy. In addition, by transforming the banking concept to "social banking", the political elite defined their aim as to challenge the urban-biased orientation of the banking system and focused on rural areas.⁵⁰¹

Challenged by the rhetoric of the bank nationalization, the monopoly capital also complained about the GOI's decision. Regretting Gandhi's determinism on the issue, the monopoly capitalists claimed that in the post-Nehru era government's pragmatic approach faded away. Interpreting bank nationalization as the GOI's attempt to liquidate the private sector, they began to debate, withdrawing their support from the CP.⁵⁰² Though they seemed to be firm on the issue, however, in an ironical manner again, the leading figures provided funds to Indira Gandhi's Congress Party in 1971.⁵⁰³ Continuation of this support could be grasped from the scope as well as outcomes of the nationalization policies.

First of all, nationalization did not lead to the attainment of announced objectives. Nationalization of the General Insurance was justified on grounds that this led to the provision of institutional credit to small and neglected sectors of the economy. Though a sustained growth was attained with satisfactory profit trends, there was no evidence to prove that

⁵⁰⁰ *Journal of Lok Sabha Records*, Debates on Industrial and Licensing Policy Reports, 7 March 1968, p. 2279; *Journal of Lok Sabha Records*, 28 August 1972, column 288.

⁵⁰¹ See *Journal of Lok Sabha Records* of 1968, 1969 and 1970, also *Journal of Lok Sabha Records*, Debates on General Budget, 1973-4, 12 March 1973, p. 327.

⁵⁰² Stanley A. Kochanek, *Business and Politics in India* (Berkeley: University of California Press, 1974), p.219-20.

⁵⁰³ *Ibid.*, p.225.

financial resources of the general insurance were utilized for the benefit of the common man.⁵⁰⁴

In the case of coal industry, a major source of energy came under almost the complete control of the public sector. Mines which remained out of the public control, on the other hand, belonged to the monopoly capital. They were excluded from the process by the rationale that their nationalization could lead to serious production setbacks. This was not the sole handicap regarding the issue. Besides, the public sector failed to attain the announced objectives including scientific production of coal, its easy availability at cheap rates to the consumer, uninterrupted supply of coal to the steel plants and better service conditions.⁵⁰⁵ Like the coal industry, other nationalized branches shared the same deficiencies. Their being under the public sector did not lead to an additional benefit for the common man. Their performance was not improved after nationalization. Instead, to a great extent, they continued to function as feeders of the private sector.⁵⁰⁶

More than the others, the nationalized banks revealed how nationalization turned out to be a mechanism enabling the flow of public sector resources to the monopoly capitalists. First of all, this nationalization did not lead to the emergence of the so-called social banking that focused on rural areas. Rejecting its failure about this, the GOI referred to the increased credit allocations, disregarding the fact that these credits were under the monopoly of the big capital. This monopolization was best revealed in the low amount of the bank customers. As late as

⁵⁰⁴Madan, *Congress Party and Social Change*, p. 112, 169.

⁵⁰⁵*Journal of Lok Sabha Records*, 13 December 1971; Nayar, *Mixed Economy*, p.329-30; Madan, *Congress Party and Social Change*, p.150-1.

⁵⁰⁶Madan, *Congress Party and Social Change*, p.170-2.

1980 only 10 million households, approximately 7 % of the total households, in India were customers.⁵⁰⁷

The most important aspect of unattained objective was the unchallenged interest of the big capital. Instead, a reversal of this was valid in many cases. Despite all public appeals, the political elite was sensitive to the concerns of the big capital. Through various amendments the majority of the industries belonging to the monopoly houses were untouched. In most cases the political elite did not even change the managers and executive boards of the nationalized enterprises including the banks which already had established institutionalized interest networks with the big capital. The political elite assured the monopoly capital from the Parliament floor by emphasizing that the GOI was not considering any general proposals to nationalize the big monopoly houses in the country. The GOI turned these statements into concrete forms by giving more licenses to the top industrial houses; exactly nine to Birlas and three to Tatas during 1969-71, for substantial expansion of the existing plants.⁵⁰⁸

Besides, the paid compensation was so high that it made nationalization an uneconomical act. Defining compensations as a new method of forgery of public funds, the pro-nationalists expressed their dissatisfaction about this undertaking. Uneconomic aspect of the compensations was raised not only by the leftists but also by the monopoly capitalists themselves. The President of the Chamber of Commerce stated that the paid compensation made the undertaking a very uneconomical one and defined this as another act of government action without any economic justification. A member of the Cabinet, who represented big

⁵⁰⁷ *Journal of Lok Sabha Records*, Debates of No-confidence Motion Against the Government, 29 July 1970; C.T. Kurien, *Growth and Justice: Aspects of India's Development Experience* (Madras: Oxford University Press, 1992), p.79; S.K. Gopal, *Monopoly Capital and Public Policy* (New Delhi: Allied Publishers Private Limited, 1979), p.119-20.

⁵⁰⁸ *Journal of Rajya Sabha Records*, Indira Gandhi's Reply to Criticisms, 20 March 1972; *Journal of Lok Sabha Records*, 13 December 1971; *Journal of Lok Sabha Records*, 28 August 1972, col.288; *Journal of Lok Sabha Records*, 1 June 1972, col XVI.

capital and supported nationalization on the grounds that these were undertaken mostly by political considerations more than economical ones, confirmed this view. He expressed the satisfaction of the decision-makers in the government as they gave the message to the mass that they were keeping their promises.⁵⁰⁹

In addition to high compensations, by keeping the same high staff in the executive boards of the banks and lasting membership of the big capital in these boards, the GOI did not challenge the interwoven relations between the big capital and managers of these banks. This was just the opposite of the announced motive behind nationalization, namely de-linking the control of top business houses from the banking sector, since the “evil” of these banks aroused from the fact that they were under the control and domination of the big capital. As one of the reports, the Mahalanobis Report discloses, in the ten leading banks of the country directors were in one or other way associated with the big industrial houses in the country. Besides executive boards of the first top eight banks of the country were distinguished by the dominance of industrial directors. This dominance was defined as the reason why the mass could not have adequate access to bank credits.⁵¹⁰

As their interests were unchallenged, nationalization did not lead to a shift in the credit patterns of the banks. According to the Reserve Bank’s Report at the end of December 1973, fourteen nationalized bank had given Rs. 582.32 crores as credits to the seventy-five

⁵⁰⁹*Journal of Lok Sabha Records*, 15 March 1973; *Journal of Lok Sabha Records*, 13 December 1971; *Journal of Lok Sabha Records*, 29 May 1972, column 238; *Journal of Lok Sabha Records*, 28 August 1972, column 288; *Journal of Lok Sabha Records*, 2 June 1971, column 188; Madan, *Congress Party and Social Change*, p.117,119, 123-4, 129,146, 161-2.

⁵¹⁰*Journal of Lok Sabha Records*, Debates on Hazari Report, 6 March 1968, p. 159.

monopoly houses. In addition, State Bank of India had advanced Rs. 1627 crore to private companies of which 304.97 crores went to the top seventy-five big houses.⁵¹¹

In addition to these particularly distorted policies, there were some mechanisms established for the benefits of the ruling elite. The most important of these mechanisms was the incentives that included public sector's feeding role of the private sector through various subsidies. Despite their well-known contribution to the prevalence of economy's structural problems, the political elite did, more truly could not, however abandon them. While continuing with these incentives the political elite preferred deficit financing, to cover them, which meant high inflation and depletion of the savings for unproductive ends.

Critics of the public sector referred to its low performance, red tapism and inefficiency, yet none of them referred to the private sector's crucial role in this inefficiency. Though expansion of public sector was justified as a policy that served the creation of a socialist order, the practice proved just the contrary. In contrast to Nehru's definition regarding the relation of public and private sector, in India public sector acted as the feeder of private sector. By this the public sector served capitalism's being fostered in India without the support of the state, which was impossible since the Indian capitalists lacked the technical and financial resources to build capitalism. Acting as a catalyst, the public sector was in the service of growth of capitalism and monopolies.⁵¹²

This feeding role of the public sector had various dimensions. First of all, its role was defined as venturing into fields where private sector did not dare to venture. These were generally fields that required huge investment due to their scope as well as demanding a long growth

⁵¹¹Gopal, *Monopoly Capital and Public Policy*, p.119-20; Howard L. Erdman, "The Industrialists" in *Indira Gandhi's India*, ed., H.C. Hart, p.132-3; Madan, *Congress Party and Social Change*, p.174.

⁵¹²Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.221.

period before they yielded returns. The Indian public sector had quite a remarkable success in these undertakings, most of which were related to the infrastructure of the country such as roads, railroads and irrigation.⁵¹³ Infrastructure building was a great contribution to the private sector as these infrastructural establishments decreased production and distribution costs of the industrial outputs.

Another dimension of this feeding was public sector's undertaking of all the unprofitable investments, particularly in basic industries. This was regarded as a distinguishing feature of Indian public sector as in the process a large number of private units were taken up by the state due to endemic 'sickness', exemplified by jute mills, mini steel plants, pharmaceutical and engineering units and a large part of the textile industry. The private sector began to exploit this tendency of the GOI. Mainly the big capital deliberately allowed some of their establishments to become 'sick' so that they could reduce their tax liabilities and divert public funds for private profit.⁵¹⁴

The third dimension of this feeding role was cheaper provision of subsidized inputs to the private industrial establishment. This was among the main causes that led to public sector's low profit margins and waste of resources. It provided machinery, industrial raw materials and intermediate products at prices lower than international prices while buying the finished goods of the private sector at higher prices to squeeze out maximum profits. By this mechanism, the system enabled the private sector to make huge benefits at the expense of the public sector since the public sector enterprises were at a loss due to the cheap provision of

⁵¹³Sethi, *Indian Economy Under Siege*, p.63-4.

⁵¹⁴M.N. Panini, "The Role of Industrial Elite" in *Power Elite in India*, ed., Khadija Ansari Gupta (New Delhi: Vikas Publications, 1989), p.75; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.113; Sumit Roy, "Liberalization and the Indian Economy: Myth and Reality" in *Industry and Agriculture in India Since Independence: Structures of Power, Movements of Resistance*, vol.2, ed., T.V. Sathyamurthy (Delhi: Oxford University Press, 1998), p.138; Sethi, *Indian Economy Under Siege*, p.63.

both raw materials and finished goods as well as costly purchase of the goods of the private sector.⁵¹⁵

The public sector was not only in the service of private industrialists but also the rural elite. The capitalist farmer benefited from the government's price support program and from subsidized inputs such as water, power, fertilizer, diesel fuel and credit.⁵¹⁶ Nehru's death and adoption of the new agricultural development policy with intensified agriculture technique-orientation was the milestone in widespread application of subsidies. The political elite regarded subsidies and support policy as a crucial means to motivate the "progressive" farmers who applied modern technologies.⁵¹⁷

In 1965, the Food Minister mentioned that to enable the active participation of farmers and increase the attractiveness of the program as a solution, the government decided to increase the market price paid to the cultivators. To this end, in 1965 an Agricultural Prices Commission and the Food Corporation of India were set up. The task of the latter was to make purchases of foodgrains and to assure a fixed price to the farmer. Shaped by these considerations the immediate arrangement was an increase of 15 % in the procurement prices.⁵¹⁸

⁵¹⁵See A. Dasgupta and N.K. Sengupta, *Government and Business* (New Delhi: Vikas Publications, 1989); Ahluwalia, "Contribution of Planning to Indian Industrialization"; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*; Namboodiripad, *Economics and Politics of India's Socialist Pattern*; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*.

⁵¹⁶Weiner, *The Indian Paradox: Essays in Indian Politics*, p.140.

⁵¹⁷Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.255; Randhawa, *A History of Agriculture in India: 1947-1981*, p.227; Bowles, *Promises to Keep: My Years in Public Life, 1949-69*, p.559; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.220-1.

⁵¹⁸Randhawa, *A History of Agriculture in India: 1947-1981*, p.227; Bowles, *Promises to Keep: My Years in Public Life, 1949-69*, p.559; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.220-1.

This new policy of the political elite, however, was manipulated by the capitalist farmers and used as a threat mechanism. These farmers defined high prices as a precondition for increased agricultural production. They claimed that unless the agricultural prices were high enough to act as an incentive for them than many could stop producing food grains and deal with commercial crops. By referring to the cheapness of the incentives vis-à-vis the imported foodgrains and to the correlation between the increased wealth in rural areas and industrial growth, these capitalist farmers had a sound basis in their bargain with the political elite. Besides, in a populist manner they used the small cultivator who in most cases made subsistence agriculture, as a pretext to provide gains for their own interests.⁵¹⁹ In short, they gave the message that their satisfaction meant self-sufficiency of India in foodgrains, expansion of domestic market for industrial goods and also an increase in their support for the Congress Party.

The process shaped by these dynamics served the increased power of the capitalist farmers vis-à-vis the political elite as well as the lower segments of the rural population. Though they enjoyed high surplus agricultural products due to the adoption of new technologies, the system began to function in a manner that it was the central government that heavily subsidized the innovation costs, and not the capitalist farmer. While high price support was one facet of incentives, the other was the cheaper prices for the capitalist farmers' inputs such as fertilizer, power and diesel.⁵²⁰

The other dimension of this reinforced strength was related to the majority of the rural population. Though these policies were justified as policies for the benefit of the rural

⁵¹⁹See *Journal of Lok Sabha Records*, Debates on General Budget, 7 March 1960; *Journal of Lok Sabha Records*, Debates on General Budget, 9 March 1964.

⁵²⁰Dantwala, *Dilemmas of Growth: The Indian Experience*, p.92.

population, this was not the case. Like the new agricultural strategy itself, it excluded the majority while supporting the minority. In contrast to policymakers' claim that through these policies there would be an improvement in the lots of the common man who was neglected during the planned era,⁵²¹ it was the capitalist farmers who benefited from the process.

Last of the policies that directly affected the wellbeing of the majority, development process, as well as self-reliance of the country, was taxation. Like in many other LDCs Indian policymakers failed to develop a sound and just taxation system. Increased injustice of the tax system was revealed in the decreased share of direct taxes. In contrast to 1950-1 when their share was 36.8 % in the total government revenue, this rate declined to 21.5 % in 1967-8. In the same period the share of the indirect taxes rose from 63.2 to 78.5 %. While defining low domestic capital as a serious setback for the chronic deficit in the budget, as they failed to levy direct taxes on the wealthiest segments of the society governments chose to increase the proportion of indirect taxes as the main possible remedy for the low domestic savings.⁵²²

Facing the criticisms of different segments, as the governments adopted a positive discrimination favoring the upper strata of the population vis-à-vis the lower segments,⁵²³ the political elite had various attempts to rearrange the proportions between the direct and indirect taxes under different names such as Super Tax, Income Tax, Luxury Tax, Company Tax Estate Duty, Gift Tax, Wealth Tax, and Expenditure Tax, but the outcome was the same. They were either implemented for a short time at the end of which little revenue was collected or refused during the Parliamentary debates. This indicated the repetition of the course of events regarding the taxation issue.

⁵²¹Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.255.

⁵²²Mukherji, "The Private Sector and Industrial Policy in India 1946-56", p.193.

⁵²³*Journal of Lok Sabha Records*, Debates on General Budget, 2 June 1952, p.1006, 4 June 1952, p.1080; *Journal of Lok Sabha Records*, Debates on General Budget, 1973-4, 14 March 1973, p.227; see also other *Journal of Lok Sabha Records* of various years.

There were mainly two intertwined fundamental factors at force in the repetition of the same unsatisfying outcomes. First of these was the political elite's lack of determinism on these arrangements. An examination of the process revealed that these initiatives of the political elite were mainly pragmatic responses to the increased criticisms of the opposition. Leaving their firm stance on the issue, the political elite developed excuses which also pro-rich notions. Top among them was the necessity of low proportion in direct taxes, as the country's priorities as well as development level required. It was defined as an imperative to stimulate production, particularly in industry. Besides, high proportion of direct taxes was expressed as a possibility in developed countries but not in a developing country like India, since the inevitable result of this was to retard the formation of capital without which industrial development was not possible.⁵²⁴

Regarding the proportion of the indirect taxes, the political elite, on the other hand, claimed that higher proportions in indirect taxes were necessary poor-saving mechanism that acted as a sort of security valve. According to this rationale, higher proportions of indirect taxes reduced consumption, particularly during the period of shortage of goods and high inflation trends.⁵²⁵ Justified by this rationale, as well as the necessity for more domestic savings since the governments either increased indirect taxes or abandoned the development plans and remained as a backward country⁵²⁶, each failing arrangement to correct the tax system was followed by new increases in the indirect taxes.⁵²⁷

⁵²⁴ *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 28 February, 3 March 1948, p.1346, 1545; *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 3 March 1948, p.1541; *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 4 March 1948, p.1588.

⁵²⁵ *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 28 February, 3 March 1948, p.1346, 1541, 1545; *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 4 March 1948, p.1588.

⁵²⁶ See *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 28 February 1948; *Journal of Lok Sabha Records*, Presentation of the General Budget FY 1958-9, 28 February 1958, p. 3008; *Journal of Lok Sabha Records*, Debates on General Budget, 11 March 1958, p. 4348-9, 4379, 4382, 4389; *Journal of Lok Sabha Records*, Debates on General Budget, 11,12 March 1958; *Journal of Lok Sabha Records*, Debates on

Another factor was the uniform stance of the wealthy segments vis-à-vis the political elite in each attempt. Their ability to develop a common language and collaborative acts resulted in the most convincing threat, namely decline in production outputs. The political elite faced this uniform stance of the capitalists as early as 1948 during the Interim Government. Defining the Interim Government as the worst time for them, the capitalists were panicked by the tax arrangements. They claimed that in the eight months of the government, the whole capital structure was shaken to its foundations. Calling the rest to develop strategies to cope with this, Birla as the leading figure, alarmed all wealthy segments by saying that what they experienced was an earthquake and they should not wait for other quakes.⁵²⁸

The deficient aspect of the Indian taxation system was, however, not only related to industrial capitalists. It also lacked agriculture income tax. Though there were various attempts to levy this tax and increase land revenue substantially, the outcome was just the contrary. As the main direct tax on agriculture, the land revenue tax that had not been adjusted since the war declined from 4.5 % of the net value of agricultural output in 1938/39 to less than 2 % of net agricultural output in 1960/61.⁵²⁹

Similar to the industrial capitalists, the lobby of the rich farmers and political considerations of the state governments were at force in the successful rebuff of these attempts. Despite the recommendations of the Taxation Inquiry Commission to introduce agricultural income taxes, the state governments were reluctant to act since they mainly derived their political support from rural areas and, so they did not want to antagonize their supporters. When the Central

General Budget, 11 March 1966; *Journal of Lok Sabha Records*, Debates on General Budget, 1973-4, 14 March 1973; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.196, 251.

⁵²⁷Ibid.

⁵²⁸M.M. Juneja, *G.D. Birla: Life and Legacy* (Haryana: Modern Publishers, [pub.year]), p.98.

⁵²⁹George Rosen, *Democracy and Economic Change in India* (Bombay: Vora Publishers, 1966), p.146, 149.

Government introduced the compulsory levying of this tax in 1973 landlords launched a struggle against the Government in some states of India. Chief Ministers of wheat producing areas convinced the Committee which worked on agricultural income tax that such a compulsion was not wise from the standpoint of votes since it would hurt the interests of the rural rich who contributed generously to the Congress Party's electoral victory.⁵³⁰

These prevailing deficiencies in agricultural taxation were in contrast with the increased subsidies and other incentives extended to the agriculture sector. With a tax policy that resulted in taxes lagging behind expenditures in the agricultural sector, there was a steady flow of resources through the government from the nonagricultural to the agricultural sector. Under such circumstances it was not surprising that the shift in the structure of the Indian economy from agriculture to non-agriculture was lagging behind hopes and plans.⁵³¹

This was a brief analysis of the specific policies that reflected the interaction between the ruling elite coalition and the mass. The majority of these policies were the immediate pragmatic appeals to appease the mass and prevent their radicalization. Due to pro-elite arrangements in their implementation, there was a huge discrepancy between the rhetoric and practice. While the mass lacked a collective stance against these policies, the ruling elite was successful to assure its interests.

Though the ruling elite coalition stood as a unique entity vis-à-vis the mass, to conclude that it had the ability to act as a unified body on every issue would be misleading. The relation between the components of the ruling elite was highly tense and shaped by the consideration of having a dominant position in the coalition to influence the decision-making, particularly

⁵³⁰Babulal Fadia, *Pressure Groups in Indian Politics* (New Delhi: Radiant Publishers, 1980), p.60.

⁵³¹Rosen, *Democracy and Economic Change in India*, p.146, 149.

those decisions related to resource allocation. The following section is about this interplay among the ruling elite coalition and its impact on the development process.

Interactions between the Components of Ruling Elite Coalition

Political Elite

The political elite was differentiated from the other components of the ruling elite coalition, as it had to take the electorate into consideration more than other components. It was in a way a scene that was criticized and attacked directly by the mass for the unfulfilled promises without regarding other dynamics beneath this unfulfillment.

In the Indian context, the first generation of the political elite symbolized the Indianization of the country's administration. They were mostly the leading figures in the National Movement during which they raised the expectations of the people for the "promised land", a land free from exploitation. Though Independence was a reality, the possibility to realize the promised land was highly questionable. The political elite began to shape the country's policies in this context.

The undisputed name among the first generation of political elite was Jawaharlal Nehru. As the first PM and External Affairs Minister of the Republic, Nehru held these posts until his death. But in the process, in addition to these he also acted as the Ministry of Atomic Energy and also, for brief periods, as Finance and Defense Minister. He had such a dominating position that during the seventeen years of his Prime Ministry no one thought another name

instead of him. He was the de facto nominated PM of the country even before the Independence by Gandhi himself.⁵³²

The critical question regarding Nehru was why Mahatma Gandhi nominated him as his successor even though the ideological difference between two was well known. In contrast to Gandhi's right-wing stance, Nehru was known as a socialist leader who by his charisma had great influence on the mass. This questioning led us to the conclusion that this was a very strategic appointment which the leading big capitalists also agreed on. This consensus on a socialist leader would have been ironical if the person was not Nehru as was diagnosed by Gandhi himself. When his nomination of Nehru as the Congress President even before the Independence was highly questioned by the right wing leaders, Gandhi, without disregarding that Nehru was an extremist far ahead of his surroundings, stated that he was humble and practical enough, so unlike many other socialist figures, he would not have to force the pace to the breaking point.⁵³³

This view of Gandhi began to have more supporters during the National Movement. Nehru was regarded as a balancing factor who prevented radicalization of the mass to a great extent. In his dealings with the British in the mid-1940s, Birla, the leading Indian capitalist who defined Nehru as a "a first class fanatic" in the late 1920s and the 1930s⁵³⁴ underlined the importance of not to imprison Nehru. He explained that when capitalism and socialism confronted in legislature, capitalists did not have any problem to defeat socialists. However, in case that there would have been an open fight between capitalism and socialism, such an open fight could have been an uncontrollable one if Nehru was imprisoned. Birla underlined that without the leading role of Nehru youngsters could be more radicalized and establish

⁵³²E.M.S Namboodiripad, *Nehru: Ideology and Practice* (New Delhi: National Book Center, 1988), p.39-40.

⁵³³*Ibid.*, p.39-40.

⁵³⁴Singh, *Role of G.D. Birla in Indian National Movement*, p.148-9.

communist system in the country. Relying on these considerations, Birla assured the British authorities that in cases where there was any difference of opinion between Gandhi and Nehru, the latter simply followed Gandhi.⁵³⁵

Other leading capitalists and conservative leaders who defined Nehru as a figure who did not create insurmountable difficulty shared this view. He would “fret and fume, storm and was often in a rage but at the end one saw a sport man with the ability of quick regaining of balance.”⁵³⁶ By this feature of his personality, Nehru, a distinguished Indian bourgeoisie became the trustworthy leader of the left from the viewpoint of the rightwing Congress leaders as well as capitalists. All these shed light why the Indian capitalists did not raise objections against his Prime Ministry. Instead, they had a readiness to accept him as the Prime Minister of Independent India in 1947.

Though he declared himself as a socialist, his interpretation of socialism was a mild and timid one. It was not the doctrine and political movement of a particular class, of the working class as was the case in other countries.⁵³⁷ When he asked the help of capitalists to attain socialism the contemporary socialists criticized this contradiction. Acharya who state that the socialist pattern or what was widely known as Nehru socialism was a “historically specific expression of the hegemony of the Indian corporate-capitalist class” share their criticism.⁵³⁸ The pragmatic leadership of Nehru, however, had the community perspective in any case. Though the path was for a capitalist order, he tried to initiate policies and transformations that would lead the majority to survive as capitalist producers.

⁵³⁵Birla's Letter to Lothian, 28 June 1936, Letter No 56; Birla's Interview with the Viceroy, 5 August 1936, No 77; Birla's Interview with Viceroy, Undated, No.17 quoted from Birla's *Bapu: A Unique Association, Volume II* (Bombay: Bhartiya Vidya, 1977).

⁵³⁶Mahadev Desai's Letter to Birla, 18 August 1937, Letter No 29 quoted from Birla, *Bapu: A Unique Association, Volume III*; Namboodiripad, *Nehru: Ideology and Practice*, p.39-40.

⁵³⁷Namboodiripad, *Nehru: Ideology and Practice*, p.42, 217.

⁵³⁸Acharya, *Nehru Socialism: Colonialism, Capitalism and Ideology in the Making of State Policy*, p.213.

Following the death of Sardar Patel, prestigious spokesman for the Indian capitalists in the Parliament, in 1950, Nehru shaped the nation building process as the nearly unchallenged arch-architect among the political elite. Due to his dominating feature, many analysts dubbed Indian democracy as a "prime ministerial dictatorship".⁵³⁹ Nehru owed his nearly unchallenged stance to his charisma and influence on the mass as well as his strong base in the Parliament. Yet even these strong premises did not prevent him to develop mechanisms to minimize challenges to the utmost possible degree in the Indian federal system.

The most favorite tactic of Nehru in the face of any challenge was either the threat of or practice of resignation, not from Prime Ministry but from the Committees or related bodies of the Party. One of the first cases where he applied this tactic was in 1950 when the right wing members of the Party led by Patel elected a CP Chair despite his open objection to the elected person. Nehru resigned from the Party's Working Committee that was also predominantly composed of the rightists MPs. The elected Chair withdrew in favor of Nehru on grounds that Nehru symbolized the nation. Though this act of Nehru was defined as an attempt to impose a dictatorial rule in the Party, Nehru did not pay much attention to these criticisms. In 1951 he became the CP Chair and remained so until 1954. These years were distinguished by consolidation of dissenters who attempted to challenge senior members and restoration of harmony between the Party and government but at the expense of the Party. After withdrawing from this post in 1954, each candidate had to take Nehru's approval. He preferred to choose the Chairs who were responsible to him. Consequently instead of

⁵³⁹Sethi, *Indian Economy Under Siege*, p.7.

challenging, a sort of subordination was the case for the Chair. By his withdrawal, the government began to dominate the Party.⁵⁴⁰

This centralization period lasted until 1963 when Nehru challenged it first in 1959 by expressing his discontent about the CP and government relations as the relations swung too far in the direction of parliamentary supremacy over the Party. By this discontent as well as the declined electoral support in 1958 elections, the process for the era of divergence accelerated. Yet the divergence period that commenced in 1963 indicated a time lag between Nehru's complaints and fading of centralization and convergence. What caused this lag was the old guards successful rebuff of Nehru's scheme regarding land ceilings and cooperative farming in 1959. In this the so-called old guards, mainly comprised the powerful Chief Ministers of the states and their allies in the Center, who were not in the inner circle of Nehru, secretly collaborated with the rural elite against Nehru. They acted as the spokesman of the rural elite. This was an important milestone, because those who felt that they could no longer remain in the Party departed and formed another Party. Those who did not have the courage to depart remained in the Party but continued their opposition behind the scenes.⁵⁴¹

This confrontation of Nehru with the Chief Ministers of the States represented another aspect regarding his position. Nehru era was known as the era of centralization and in this his ability to keep the States in a subordinated position was crucial. The most important means for Nehru governments that curtailed the power of the states and enhanced the dominant position of the Center was the right recognized to the Center for the fixation of the prices of essential commodities in 1954. This meant curtailing of income of the states. Following this, the Food

⁵⁴⁰Robert L. Hardgrave, Jr., *India: Government and Politics in A Developing Nation*, (New York: Harcourt, Brace and World, 1970), p.130; Kochanek, *The Congress Party of India: the Dynamics of One-Party Democracy*, p.52, 73-4; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.187.

⁵⁴¹Srivastava, *Pressure Politics in India*, p.61-2.

Corporation of India procured and sold for the benefit of the Center. The 6th Amendment of the Constitution was enacted in 1956. By this, the Parliament assumed the power to regulate state trade, and to levy taxes on sale or purchase of goods other than newspapers. Therefore, while one source of central income increased, this was done at the cost of the State's interest.⁵⁴²

Yet, even these mechanisms were not enough for the implementation of the policies on which Nehru's sensitivity was well known. As the state legislatures were mainly comprised the rural elite, the Chief Ministers were more responsive to their concern more than the Center's wishes. A concrete and crucial example of this responsiveness was related to the policies which aimed at structural changes in rural areas. These were not implemented, as they should be, since their implementation was under the responsibility of the states. Emasculation of these policies to a great extent despite the desire of the Center indicated the boundaries of Nehru's "unchallenged position".

Though delayed, Nehru never gave up his endeavors for establishing a greater equilibrium between the Party and government. In 1963 he defined the instrument to this end, namely *Kamaraj Plan*. This Plan called for senior Congressmen in the Parliamentary wing of the party to step down from the office and devote their full time to organizational work of the Party. Response of these senior members to this call was affirmative. By their withdrawal from their posts, the old hierarchy of leadership within the CP government was ended. A certain degree of equilibrium of power between the government and the CP was observed.⁵⁴³

⁵⁴²A.L. Gupta, R.C. Saini and R.K. Gupta, eds., *Confrontational Politics in India*, (New Delhi: Commonwealth Publishers, 1989), p.191.

⁵⁴³Kochanek, *The Congress Party of India: the Dynamics of One-Party Democracy*, p.74-6.

The centralization and convergence period lasted until the last year of Nehru's life. He did not have the chance to see what happened in the divergence period to which he paved the way too. In these years he was the PM, the Minister of Foreign Affairs, Chair of Planning Commission, for brief periods Minister of Atomic Energy, Finance and Defense. As the Head of the Cabinet, he appointed other members. Rosen defines the distinguished feature of this period as the subordination of the ministers who enjoyed narrower scope of responsibilities to the PM enjoyed.⁵⁴⁴ The period that commenced after him revealed that these administrative features were not institutionalized, but remained as successful suppression of the possible alternative voices for Nehru's nearly omnipotent stance. These possible alternative voices made the post-Nehru era a highly tense in comparison to Nehru era.

Those who responded to Nehru's call along with some powerful Chief Ministers named as *Syndicate*,⁵⁴⁵ turned to be the most powerful countervailing power vis-à-vis the Cabinet, mainly the PM. It was the Syndicate who determined the successors of Nehru, first Shastri, then Indira Gandhi. The era of divergence that lasted between 1963 and 1967 was distinguished first by Shastri's conciliatory approach and Indira Gandhi's conciliatory-cum-clashing approach to the Syndicate. This interplay within the political elite also led to various pragmatic alliances with other groups to assure a dominating stance.

Following Nehru's death in 1964, Kamaraj who was elected as the CP but who was also the natural leader of the Syndicate played an important role in securing the election of Shastri. He was a man well known by his peacemaking and conciliatory attitude. By his ascension to power various important changes occurred in the political administration of India, most striking of which was in the decision-making style. Instead of concentrating power in his

⁵⁴⁴Rosen, *Democracy and Economic Change in India*, p.104-6.

⁵⁴⁵Kochanek, *The Congress Party of India: the Dynamics of One-Party Democracy*, p.74-6.

hands, PM Shastri established the 'Grand Council' comprised of the most powerful personalities in the Congress Party as the supreme decision-making body at the center. This council turned to be a platform where exchange of ideas was possible. In most cases, following this exchange, decisions were taken by consensus.⁵⁴⁶

This new era commenced by Shastri also led to the increased autonomy of the states vis-à-vis the Center. The Chief Ministers of the states exerted pressure on the PM and Cabinet for the share of power. They requested that the Chief Ministers of the states as well as major policies could only be decided by the assent of state governments, with or without the approval of the Central Government.⁵⁴⁷

Owing to his personality as well as his decision-making style, PM Shastri welcomed these divergences. It was true that during his brief tenure of one-year the gravity of administration shifted to the states. Without disregarding the importance of PM's personality, another important factor that served the empowerment of the states vis-à-vis the Center was the shift in favor of agriculture. Owing to the division of labor between the Center and the states, this agriculture-orientation enabled the states to take more initiative in the policymaking.⁵⁴⁸ The Center had to be more receptive to the demands and concerns of the Chief Ministers of the States who were mostly from rural elite or under the influence of the rural elite.

Another change in the administration was the more independent and powerful stance of the CP Chair vis-à-vis the Prime Minister. Chair's bold statements on several crucial issues

⁵⁴⁶James Manor, *Nehru to the 90s: The Changing Office of Prime Minister in India*, (London: Hurst and Company, 1994), p.28.

⁵⁴⁷Stanley A. Kochanek, "Mrs. Gandhi's Pyramid: The New Congress" in *Indira Gandhi's India*, ed., Hart, p.94.

⁵⁴⁸Kawal Nayan Kabra, "A Note on Self-Reliant Development, External Borrowing and Alternative Strategies for Development" in *Alternative Development Strategies and The Indian Experience*, ed., Joshi, p.128; see Randhawa, *A History of Agriculture in India: 1947-1981*, p.227; Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.220-1; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*.

including planning and foreign affairs were a novelty that was not the case during Nehru era. However, these novel aspects did not assure an equal or dominating stance to the CP Chair. Instead he continued to be a subordinate to the PM. Reelection of Shastri without seeking the support of any particular group as well as India's success in the Indian-Pakistan War of 1965 were referred as events that served the PM's dominating stance.⁵⁴⁹

In a year's time India once more faced the question of "after Nehru who?" This question again found its reply by the arrangements of the Syndicate but this time with more tension due to the problems within the group itself. In contrast to Shastri's nomination on which the Syndicate had a consensus, in the case of Gandhi a serious internal division was observed. It was Kamaraj who extended his support to Gandhi as Shastri's successor despite the opposition of the majority of Syndicate members. While these members opposed her mainly due to her spirit of independence, supporters of Gandhi as Shastri's successor regarded her as a transitory and relatively inexperienced figure who could be used as a puppet until the elections. They hoped to benefit from her as being Nehru's daughter, as being from the populous Hindi region as well as being liked in the South and being liked by the minorities. In short, Gandhi was regarded as an asset for elections. In addition to these factors, her nomination turned out to be a matter of testing of power for Kamaraj within the Syndicate.⁵⁵⁰

Elected by the arrangements of the leading names in the Syndicate, during the first year of her Prime Ministry Gandhi faced the decisiveness of the Syndicate concerning the scope of the free space that she could enjoy. Her attempts to reshuffle the Cabinet and the refusal of her candidates for the election were the main indicators of this firmness. More than others, denial

⁵⁴⁹Kochanek, *The Congress Party of India: the Dynamics of One-Party Democracy*, p.92-6; Bhambhri, *Bureaucracy and Politics in India*, p.17.

⁵⁵⁰Srivastava, *Pressure Politics in India*, p.63, 66; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.256.

of Khrisna Menon as a candidate was meaningful as he belonged to the inner circle of Nehru. By these, the Syndicate conveyed the message that her power was on the Syndicate's support and she had to subordinate if she wanted to hold the post after the elections. Owing to her insecure political position as well as the brief period remaining for the elections Gandhi avoided any confrontation with the Syndicate. Instead she acted as a figure who completed the tenure of Shastri by continuing his policies even though she was very critical of them as a MP.⁵⁵¹

This seeming subordination to the Syndicate was a tactic for Gandhi until the elections. Yet she did not miss any opportunity to exploit the increased tension within the Syndicate.⁵⁵² Though various developments such as devaluation of rupee, food shortages, high inflation as well as increased violence in the country weakened her position to a great extent, still she was regarded as the locus of power due to the conceptualization of Prime Ministry in the previous decades. In her attempts to ignore her senior colleagues in the CP, Gandhi preferred to rely on her young advisors.⁵⁵³

The course of relations between the Syndicate and the PM continued in this manner until the elections. Elections of 1967 gave her a golden opportunity since the leading names of the Syndicate were defeated in the elections. Now relying on her freer space of action, Gandhi assumed domination over the CP. This, however, turned out to be an overoptimistic assumption due to the prevailing strong influence of the ousted leading figures in the Party. Because of the slim majority that CP had after the 1967 elections Gandhi had to compromise

⁵⁵¹Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.261.

⁵⁵²Kochanek, *The Congress Party of India: the Dynamics of One-Party Democracy*, p.96-100.

⁵⁵³*Ibid.*, p.103-5.

with Syndicate-imposed policies such as appointment of a leading right-wing conservative as Finance Minister and Deputy Prime Minister.⁵⁵⁴

While this conservative figure sought to reinforce his support within the Syndicate by depicting himself as a security valve for the democratic system, Gandhi interpreted this as a conspiracy of the Syndicate. Putting the issue as a matter of political survival, Gandhi decided to be more aggressive in her coping with the Syndicate and she pragmatically leaned on the radical leftists within the Party, namely the *Young Turks*. This was not coincidental. The Syndicate distinguished by its conservative orientation was undoubtedly conflicted with anyone regardless of her/his name or position that collaborated with the leftists. This group, well known by its criticisms against the Syndicate, defined it as a gang of old and exhausted men whose main interest was personal power and patronage. They blamed these old men for impeding Nehru's design for a socialist society. As revealed in the emphasis of "old men", the ideological conflict between the Syndicate and the Young Turks intensified due to the generation gap.⁵⁵⁵

Another motive beneath Gandhi's alliance with the radical leftists was her concern to become more popular in the eyes of the mass. Withdrawing their support from the CP which they identified with the conservative Syndicate, Indian public's widespread resentment against the wealthy class was clear.⁵⁵⁶ Dissatisfied with the policies of the CP that failed to prevent poverty, the mass had an increasing leftist tendency that found its expression in various

⁵⁵⁴Inder Malhotra, *Indira Gandhi: A Personal and Political Biography* (Boston: Northeastern University Press, 1989), p.108-9; Fadia, *Pressure Groups in Indian Politics*, p.69-70; Bhambhri, *Bureaucracy and Politics in India*, p.37; Premen Addy, *Indira Gandhi: India's Woman of Destiny* (Calcutta: Sangam Books, 1986), p.27; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.262, 266-7.

⁵⁵⁵*Ibid.*

⁵⁵⁶Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.264, 266.

movements. Therefore, for Gandhi, alliance with left as well as the socialistic rhetoric that she adopted meant appeal to the mass.

The concrete measure for confrontation was the 10 Point Program after the 1967 Elections. This led to another serious confrontation with the Syndicate and accelerated the process that resulted in the split of the CP in 1969. The program envisaged the social control of banking institutions, nationalization of general insurance, extension of the state sector in the export-import trade, the strengthening of the system of public distribution of foodgrains, curbing of monopolies and concentration of economic power, acceleration of steps for implementing land reforms, provision of minimum wages to agricultural laborers, supply of drinking water in rural areas and the provision of certain benefits to the children. By these features, the program posed a challenge to the interests of capitalists and rural elite. As a result the Syndicate simultaneously collaborated with these groups. Acting as the mouthpiece of these segments, the Syndicate severely attacked Gandhi, yet without any concrete gains.⁵⁵⁷ Constant tensions between the left-supported Gandhi and the Syndicate lasted until the latter's split from the CP following the legislation for nationalization of fourteen banks.

As her struggle with the Syndicate for domination in the party was more than a question of individuals but the concern of whether the Center or States dominated the decision-making process in the federal structure of India, Gandhi, parallel to these developments also pursued policies that led to the centralization of power in her hands as was the case during her father's era. For PM Gandhi centralization of power in her hands was so crucial that even politicians close to her began to defend the idea that democracy was not suited to the Indian

⁵⁵⁷Madan, *Congress Party and Social Change*, p.41-2; Fadia, *Pressure Groups in Indian Politics*, p.69-70; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.266-7, 273.

temperament. Therefore, they suggested infliction of ‘limited dictatorship’ on the country for a considerable period.⁵⁵⁸

Regarding powerful Chief Ministers as the greatest challenge to the dominance of the PM, Gandhi, through a several-staged strategy, was able to weaken the state assemblies’ power. At this time criterion for appointment in state legislative assemblies became weak political base. Besides, by controlling the Working Committee, the Parliamentary Board and the Central Election Committee, all of which represented the governing bodies, composed the high command of the CP. As the Bylaws of the CP gave the above governing bodies extraordinary formal powers in conducting party affairs, control over these made the Congress leadership a potentially dominant voice in party organization and affairs, and in recruitment of central and state legislative party elite. This was the reason why Gandhi pursued a strategy to control these bodies and directly intervened in the affairs of the state and district party organizations and operations of state legislatures.⁵⁵⁹

In addition to, and in fact as a precondition for the control of, these governing bodies of the Party Gandhi kept the CP Chair, the key post under her control. As the CP Chair had great influence on the appointment of members of these bodies, PM Gandhi first assured this post for her own ends. To avoid challenges of the CP Chairs, Gandhi named her trusted supporters to the post and did not keep them in that post too long to build up an independent base of power. As a result of this, from 1969 to 1974 the Congress changed four presidents. None of

⁵⁵⁸M.S. Dahya, “Independence of Judiciary in India” in *Justice and Social Order in India*, ed., Ram Avtar Sharma (New Delhi: Intellectual Publishing House, 1984), p.330.

⁵⁵⁹See Kochanek, *The Congress Party of India: the Dynamics of One-Party Democracy*; Malhotra, *Indira Gandhi: A Personal and Political Biography*; Fadia, *Pressure Groups in Indian Politics*; Kochanek, “Mrs. Gandhi’s Pyramid: The New Congress”, p.94-5.

these presidents had a strong political base in the Congress and was totally dependent on the PM.⁵⁶⁰

Control over the central organs of the party comprised one pillar of centralization of power. Another important pillar was creation of dependent cabinets to ensure complete and full control over her cabinet. Unlike her father, she recruited considerable number of young intellectuals with little or no political base in the party. The key criterion in the selection of these candidates was “loyalty” to Gandhi. Loyalty was the basic value that she sought from the candidates from both the center and state levels. In addition to this, in order to keep ministers off-balance and prevent their consolidation of power she frequently made minor shifts in the Cabinet. She also retained a variety of key portfolios under her direct control. By these policies, PM Gandhi strengthened her position and suppressed any possible challengers.⁵⁶¹

In addition to these arrangements regarding the Center, Gandhi pursued policies to eliminate the intermediate mechanisms and enabled herself to receive direct information from various departments. In the early 1970s she transferred 60 of the 100 sections of the Home Ministry, the Indian Administration Service (IAS), the Intelligence Bureau and Central Bureau of Investigation to the Cabinet Secretariat, being directly responsible to PM. Besides, by abandoning the principle of representation in the Congress Party, Gandhi filled the party offices at all levels by appointment from above. The rationale beneath this was enhancement of her position and powers. Though in some respects this enhanced her power, in a more serious manner it worked in an adverse way. Party officials preferred not to transmit negative news to her as they felt that they owed their positions mainly to the PM. After a while, she

⁵⁶⁰Kochanek, “Mrs. Gandhi’s Pyramid: The New Congress”, p.96.

⁵⁶¹Ibid.,p.101, 111-2.

could not have reliable information to a great extent since in order to hide negative information, officers began to submit inaccurate information.⁵⁶²

At the end of her systematic policies Gandhi had a strong central leadership and successful restoration of one-party dominance that characterized Nehru era. The political system under her centralized power had more institutionalized patterns rather than reliance on the charismatic leadership of the PM which was the case during Nehru era. This “institutionalization”, however, had at least two dimensions regarding the centrality of the power. While the PM established the mechanisms for an institutionalized centralization⁵⁶³ challenge of which was more difficult in comparison to previous years, the shift of gravity from the states to the Center did not lead to a serious change for the ruling elite component with respect to the gains that it derived from the Center. The capitalist farmers had also institutionalized the mechanisms that served their receiving higher support prices and various incentives. Therefore, Gandhi’s supremacy vis-à-vis the states did not have an adverse impact on the capitalist farmers owing to the latter’s institutionalized strategies to protect their interests.

The analysis of the political elite revealed that in contrast to Nehru who enjoyed great independence and dominance among the political elite, his successors did not enjoy such a freedom. This was mainly due to the attainment of real pluralism in the political system, and not pluralism in formality. During his short tenure Shastri adopted a more conciliatory approach with an increasing independent stance towards the end of his tenure. Gandhi, on the other hand, was not a figure to accept a subordinating position. Therefore, to attain supremacy in the system, she developed strategies accordingly.

⁵⁶²Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.127; Manor, ed. *Nehru to the 90s: The Changing Office of Prime Minister in India*, p.5-6.

⁵⁶³Kochanek, “Mrs. Gandhi’s Pyramid: The New Congress”, p.105.

At the end India had a highly centralized system that mainly depended on one-person dominance at the Center. As this one-person dominance did not very much fit the highly diversified and mobilized nature of the Indian society, Gandhi's system faced serious crisis. In the light of this analysis the next concern would be the questioning of political elite's freedom vis-à-vis other components of the ruling elite coalition to reveal the interaction between the components of the coalition.

Civilian Bureaucracy

Civilian bureaucracy as a component of the ruling elite represented the most complex multi-structured group in the administrative system of India.⁵⁶⁴ For the civilian bureaucracy the post-Independence era was full of ambiguities. This state of ambiguity arose from the fact that during the National Movement the Indian Civilian Service (ICS), that is, the bureaucrats were claimed to be the collaborators of the British rulers. The struggle of the mass was directed primarily against the bureaucracy who were the visible arms of the Raj. The Indians who comprised less than half of the ICS carried on the routine part of administration. The British administration due to its distrust in the Indian civil officers formed a set of rules and regulations, filing system, and even set language for drafts and applications. The administrative structure was set in such a manner that there was hardly anything left to be decided by Indian civil service officers.⁵⁶⁵

⁵⁶⁴The Indian civil servants had four classes. Out of these classes Class I would be the consideration as they were the ones who were responsible from all the managerial and administrative aspects of governmental work.

⁵⁶⁵Ram K. Vepa, *Change and Challenge in Indian Administration* (Madras: Manohar, 1978), p.56-7; Chander Prakash Bhambhri, *Administrators in A Changing Society* (Delhi: National, 1972), p.18; Richard M. Fontera, "Bureaucracy and Indian Development: The Problems of Attitudes" in *Political System in India, Volume 3*, ed., Verinder Grover (New Delhi: Deep and Deep Publications, 1989), p.451; David Potter, "The Prime Minister and the Bureaucracy" in *Nehru to the 90s: The Changing Office of Prime Minister in India*, ed., Manor, p.76; Taub, *Bureaucrats Under Stress: Administrators and Administration in An Indian State*, p.6; Sharma, *The Indian Ruling Class: A Historical Cum Sociological Study of Indian Affairs After Independence*, p.59; Rosen, *Democracy and Economic Change in India*, p.52; Bhambhri, *Bureaucracy and Politics in India*, p.69.

Though the leaders of the National Movement knew this fact, as the bureaucratic rule was based on fear and also mass obedience was extracted by repression those who belonged to this services was regarded as the “natural enemy” of the nation. Until independence, the Indian National Congress criticized not only this role of the ICS but also its tradition, as it was administratively inappropriate to fit into the changing conditions and had an elitist structure.⁵⁶⁶ However, the Indian administration was realistic and pragmatic. As they knew that to run the state machinery without these civil servants was impossible, they began to work on the recruitment and reorganization of the civil service.

Main feature of this reorganization and recruitment was the system’s Indianization. In 1947, upon the eve of Independence, there were 1064 members of the ICS approximately 425 to 450 of whom were Indians. This indicated that more than half of the bureaucrats were British. Parallel to the British officers resignation from their posts, the vacant posts began to be filled by the Indians. In order to fill the gap in the posts, the GOI declared Emergency Recruitment Scheme. By establishing ad hoc committees in the provinces, GOI managed to complete the task of recruitment in a considerably short time span by mid-1949.⁵⁶⁷

The Indian policymakers expressed their decisiveness on the reform and reorganization of the ICS. As the ICS, later on named as IAS was the top cadre among the bureaucrats vis-à-vis all other classes of the Indian public service; the most important posts in the administrative structure of the country was occupied by IAS. The IAS officials were closest and nearest to

⁵⁶⁶Vepa, *Change and Challenge in Indian Administration*, p.56-7; Bhambhri, *Administrators in A Changing Society*, p.18; Fontera, “Bureaucracy and Indian Development: The Problems of Attitudes”, p.451; Potter, “The Prime Minister and the Bureaucracy”, p.76; Taub, *Bureaucrats Under Stress: Administrators and Administration in An Indian State*, p.6; Sharma, *The Indian Ruling Class: A Historical Cum Sociological Study of Indian Affairs After Independence*, p.59; Rosen, *Democracy and Economic Change in India*, p.52; Bhambhri, *Bureaucracy and Politics in India*, p.69.

⁵⁶⁷Misra, *Government and Bureaucracy in India, 1947-76*, p.104-5,109.

the crucial decision-making centers of power. They were in direct contact with the political leadership.⁵⁶⁸

Moving from this fact, one of the initial activities regarding the administrative structure of the country was to determine reform measures. To this end, even before the Independence, the Congress Party appointed a six-member-reform Committee. Its task was defined as investigation of personnel shortages, better utilization of the available manpower and improvement of working methods in the Central Secretariat to deal efficiently with the problems arising from the partition. Special attention was paid to the Central Secretariat due to its key position in the system. It was the center of power as policies and programs of the government originated from there. It was not only involved in policymaking but also concerned with the justification and support of policies. It was the center for conflicts, clashes and cooperation between ministers and bureaucrats. This Secretariat was subjected to all kinds of political, sectional and interest group pressures.⁵⁶⁹

Regarding the reorganization and reform of the ICS, to claim that the new Indian administration undertook reorganization in the real sense would be misleading. Though the civil service under Indian administration dealt with the problems of partition quite efficiently, this did not indicate a successful reorganization and reform of the service. Instead of a reform or remodeling, renewal of the service would be a more accurate definition. The name of the service was changed from Indian Civilian Service (ICS) to Indian Administrative Service (IAS) but the latter was constituted respectively on the model of the ICS. Not only the

⁵⁶⁸Bhambhri, *Administrators in A Changing Society*, p.46.

⁵⁶⁹R.B. Jain, "Innovations and Reforms in Indian Administration" in *Political System in India, Volume 3*, ed., Grover, p.420; Bhambhri, *Administrators in A Changing Society*, p.34-6; Bhambhri, *Bureaucracy and Politics in India*, p.71.

bureaucratic system but also bureaucratic training were inherited from the British with minor changes in the content.⁵⁷⁰

This renewal of the administrative cadre without any remodeling, on the other hand, resulted in the transfer of all imperfections of the system. The most irritating imperfection of the ICS that was raised frequently was its elitist structure, which made the bureaucrats in this service aliens to the majority. The most important feature of these high echelons of bureaucracy was its being a close-knit society. It was nearly a hereditary profession that passed on from father to son. More than eighty percent of the high echelons of bureaucrats' fathers were also from high echelons of bureaucracy. They mostly belonged to the urban, Anglicized and well to do middle class Indians. The majority of them got their education in English medium public schools. What was tested in the examinations for a bureaucratic post was the candidate's social status, manners, etiquette and command over English. This examination for administrative bureaucratic cadres comprised the other feature of elitism among these bureaucrats. Rosen points out that this high competition among the candidates led them to believe that they were superior. All these indicated the close-knit structure of the bureaucracy.⁵⁷¹ This feature of IAS continued without any challenge by the new administration of the country.

Another frequently raised issue was the expensiveness of the administrative structure. According to the critics, India inherited one of the most expensive administration from the British. This expensiveness was due to red tapism as well as unnecessary expansion of the

⁵⁷⁰ *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 5 March 1948, p.1668.

⁵⁷¹ Sharma, *The Indian Ruling Class: A Historical Cum Sociological Study of Indian Affairs After Independence*, p. 58-9; Bettelheim, *India Independent*, p.116; Potter, "The Prime Minister and the Bureaucracy", p.76; N.C. Saxena, "The World of the IAS-True nature of Indian Bureaucracy" in *Bureaucracy, Development and Change: Contemporary Perspectives*, eds., A.D. Pant and Shiva K. Gupta (New Delhi: Segment Book, [pub. year]), p.170; Rosen, *Democracy and Economic Change in India*, p.54; Bhambhri, *Administrators in A Changing Society*, p.27.

bureaucrats.⁵⁷² Despite a consensus on the hugeness of the administrative circle, the planned era witnessed a rapid expansion of the bureaucratic cadres owing to the diversification of the tasks of the bureaucrats. In that respect Independence indicated an important turning point for the civilian bureaucracy. In contrast to the British era, when their role was limited to law and order, during Independence they were in charge of executing development plans, allocating resources, managing the expanding public sector and supervising the private sector. In short, they were the executors and in many cases by taking initiative, decision-makers of a highly regularized system.⁵⁷³

These were the general trends regarding the high echelons of the civilian bureaucracy. In the process depending on the power and preference of the PM, the position of the civilian bureaucracy vis-à-vis other components of the ruling elite, as well as, the mass varied.

Nehru was the byproduct of a movement that regarded bureaucracy as the country's "natural enemy".⁵⁷⁴ During the National Movement Nehru defined the ICS as an expensive luxury. He had a well-known mistrust in the civil servants, particularly in those who worked under the alien rule for a long time. Yet he was practical enough to accept the necessity of the civil bureaucrats to run the state machinery efficiently. He said in 1949 that every thinking person knew that running a modern government required the machinery of highly organized, efficient and loyal services.⁵⁷⁵

⁵⁷² *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 5 March 1948, p.1668.

⁵⁷³ Ray Binayak and Robin Ghosh, "Sustainable Development in India: How Likely?" in *Economic Development and Change: South Asia and the Third World*, eds., R.N. Ghosh, Y.M. Melotte and M.A.B. Siddique (New Delhi: New Age Publishers, 1996), p.197; Inderjit Khanna, "Bureaucratic Elite: The Case of IAS" in *Power Elite in India*, ed., Gupta, p.37-8; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.115-6; Misra, *Government and Bureaucracy in India, 1947-76*, p.155; Bettelheim, *India Independent*, p.116.

⁵⁷⁴ Fontera, "Bureaucracy and Indian Development: The Problems of Attitudes", p.451.

⁵⁷⁵ *Ibid.*; Bhambhri, *Bureaucracy and Politics in India*, p.233; Vepa, *Change and Challenge in Indian Administration*, p.56-7; Bhambhri, *Administrators in A Changing Society*, p.18; Potter, "The Prime Minister and the Bureaucracy", p.82.

Nehru, however, was not the sole leading policymaker supporting civil service. As the first Home Minister of the Republic Patel proposed and led to the approval of an annexed clause to the Constitution, which extraordinarily enabled the protection of the IAS. By this protection, stance of the IAS in the system was highly empowered. In contrast to Patel's open support of the civil bureaucracy, PM Nehru disapproved of such an empowerment and revealed his reaction by not attending any of the sessions when this clause was debated and approved.⁵⁷⁶

Despite these uncontrollable factors that empowered IAS, during Nehru era the civilian servants in the Center had a subordinate position. Though he accepted the necessity of these servants, Nehru did not develop any high regard for them. In his perception function of the civil servants was to implement policies or supervise their implementation rather than taking an effective part in the policy formulation. He never left minute recording of the Cabinet meetings into the hands of the civil servants, not even paraphrasing. Instead, he personally dictated the minutes of the proceedings and decisions to the Cabinet Secretary.⁵⁷⁷

This position of the civil servants in the center remained to be a remarkable feature of Nehru era compared to their position in successive Prime Ministers. Both Shastri and Gandhi totally departed from this administrative feature. They created an empowered bureaucracy even at the expense of the legislature. While Shastri paved the way for this shift, it was during Gandhi's term this feature reached its acme.

With respect to the position of civil servants the widespread belief regarding Shastri era was that he increased the power of the civil servants by recognizing more autonomy to them. As

⁵⁷⁶Ibid.

⁵⁷⁷Bhambhri, *Bureaucracy and Politics in India*, p.210-1.

the civil servants took more initiative they had greater influence on policy making. This was in fact due to his dependence on these civil servants, as he did not dominate many issues. Before announcing any decisions, Shastri wrote to the related units and waited for their answers. As a result of this, civil servants had a prominent role in vital negotiations. They had more frequent delegation of responsibility for drafting key decisions. They exerted pressure for decisions which were opposed by the Parliament. The degree of their empowerment could be best viewed from the expanded duties of the PM Secretariat.⁵⁷⁸

One of the first arrangements regarding civil servants was establishment of a strong Prime Ministry Secretariat. This was a shift from Nehru's times as he had a small personal office in charge of secretarial tasks such as preparation of important speeches, statements, and letters. In contrast to this, PM Shastri strengthened the position of the PM Secretariat through the new tasks that he defined for it. In addition to the secretarial tasks, the Secretary was obliged to inform the PM on issues such as national integration, foreign affairs, defense, interpretation of the industrial policy resolution, and bottlenecks or delays in the completion of major public sector policies. As a result of these expanded duties, the PM Secretariat turned to be an important pressure group. Srivastava states that by this transition the PM Secretariat became a nerve center of political and administrative power in the country.⁵⁷⁹ The PM's Secretary began to appear everywhere including Government's committees, foreign delegations led by the PM or foreign dignitaries. Due to his role in every policy, the PM Secretary began to be called as super secretary.⁵⁸⁰

Another important development, totally different from Nehru era, was the erosion of the decision-making powers of the Planning Commission. This erosion of the power was due to

⁵⁷⁸Ibid., p.210-2, 226-7, 232; see also Fadia, *Pressure Groups in Indian Politics*.

⁵⁷⁹Srivastava, *Pressure Politics in India*, p.92.

⁵⁸⁰Bhambhri, *Bureaucracy and Politics in India*, p. 210-2, 219; Fadia, *Pressure Groups in Indian Politics*, p.46.

Shastri's dissatisfaction with the pursued development plans shaped by the Planning Commission. During his brief tenure he achieved this subordinated role by rearranging the Commission membership on fixed renewable contracts, Deputy Chairman's of the Commission's attendance to cabinet meetings instead of the latter's attending the Commission's meetings and assignment of a formal role to the chief ministers in the formulation of national economic policy. Following the erosion of decision-making powers of the Commission, PM constituted a PM's Secretariat with its own team of experts.⁵⁸¹

After this date the PM Secretariat became a key organ in the formulation of economic policy. The empowered stance of the PM Secretariat vis-à-vis the Planning Commission was concretely revealed in the confrontation of the latter with the Food and Agriculture Minister. Following the food shortage in 1964, the Minister and the Planning Commission reiterated their respective solutions for the crisis. While the Minister defined price incentives for private investment in agriculture and an increase in the plan outlays on yield enhancing inputs as a solution, the Commission recommended price control and monopoly procurement. When the Finance Minister sided with the Commission, the PM appointed a crisis committee headed by his Secretary. The committee developed a policy line with what the Food Minister asked for. This event was regarded as the concrete proof of the shift of power from the Commission to the PM Secretariat.⁵⁸²

Indira Gandhi, who was critical of Shastri in many respects, did not make any revolutionary change to return to the days of his father. Instead, she institutionalized the power of the civil servants in the Center. First of all, PM Gandhi expanded the scope and power of the PM Secretariat. It began to issue directives to administer the departments, even the ministers. By

⁵⁸¹Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.73-4.

⁵⁸²*Ibid.*, p.74-5.

the transfer of several departments from the Home Ministry into the PM's Secretariat including the country's intelligence units in 1969 the position of the PM Secretariat was reinforced. In the process, when it included new powerful bureaucrats it began to act as a super Cabinet. Not even a Deputy Secretary was appointed without the agreement of PM Secretary. Each officer of the Secretariat dealt exclusively with almost everything in one field, whether economic, foreign or scientific. The planned economy also lost its meaning to a great extent. In any confrontation between the Planning Ministry and other public institutions, the PM's Secretariat or Committee of Secretaries emerged as a more significant decision making agency than the Planning Commission.⁵⁸³

This further empowerment of the PM Secretariat was highly criticized in the Parliament. Critics pointed out that the autonomous political power of the bureaucrats reached to dangerous proportions and such an empowerment meant concentration of power into few hands, which was against the democratic rule of India. They claimed that the process led to a sort of quasi-dictatorship in which the role of the Parliament should be questioned. Gandhi ignored these criticisms and also denied any responsibility on the grounds that she was not the one who invented this Secretariat and paved the way for its empowerment. Instead she welcomed such a transformation in the functioning of the Secretariat as it was a perfect match with her needs.⁵⁸⁴

The questioning of "her needs" indicated another failing aspect of her rule. That was her demand for politicized bureaucrats; or in other words "political loyalty" from the bureaucrats. This change began to be noticed from 1969-70 when Indira Gandhi and names close to her in

⁵⁸³Vernon Hewitt, "The Prime Minister and Parliament" in *Nehru to the 90s: The Changing Office of Prime Minister in India*, ed., Manor, p.57-8; Potter, "The Prime Minister and the Bureaucracy", p.79; Srivastava, *Pressure Politics in India*, p. 67, 92.

⁵⁸⁴Malhotra, *Indira Gandhi: A Personal and Political Biography*, p.96; Hewitt, "The Prime Minister and Parliament", p.57-8; Srivastava, *Pressure Politics in India*, p.92.

the CP called for more ‘commitment’ from civil servants with the argument that the so-called neutral administrative machinery was a hindrance for the governments as this was hardly relevant to Indian context. In one of her speeches regarding the issue PM Gandhi claimed that unless the civil servants were concerned about which political party was in power as in the days of the British rule, the country would be “in a rut”. When this open demand for loyalty to her and her Party was severely criticized, she interpreted “commitment”⁵⁸⁵ as loyalty to the guiding principles of Indian Constitution. Though this was her rhetoric, from the practice it was apparent that loyalty to the PM and the party in power began to become part of the IAS reward structure.⁵⁸⁶

This debate on the empowerment of the IAS was in fact reflected at the confrontation of the two components of the ruling elite regarding their having a dominant stance in the coalition. To assume that this was an issue which came forth during Shastri and Gandhi era would be misleading. Though Shastri and Gandhi made it more visible, the dominant stance of the civil servants was a feature of the Indian administrative structure regardless of the stance of the leader. This feature emerged from the fact that these civil servants were at the top of the resource allocation mechanism.⁵⁸⁷ To claim that Nehru with his relatively unchallenged position mitigated the power of bureaucracy would be deceptive. There were numerous debates in the Parliament that reflected this sensitivity of the legislative branch.

⁵⁸⁵PM Gandhi’s obsession with the idea of a “committed” bureaucracy was in essence the executive’s attempt to upset the balance in the separation of powers. In her dealing with the judiciary Gandhi also attempted to upset the balance in favor of the executive through interfering the Supreme Court and made politicized appointments. Her concentration on the Supreme Court was not coincidental as it was the apex in the Indian judiciary system. Below it was high courts and then subordinate courts. As the apex, the Supreme Court had the powers to control and supervise the functioning of the entire judicial system. Its decisions bound all courts in the country. Therefore through penetration into this Court by politicizing it Gandhi aimed the whole judiciary.

⁵⁸⁶Bhambhri, *Administrators in A Changing Society*, p.23-4; Potter, “The Prime Minister and the Bureaucracy”, p.86-7.

⁵⁸⁷Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.20

In one of these debates secretariats of the ministers were the concern. Critics of these secretaries regretted their existence, as they did not fit into the existing circumstances of independent India. They complained that each minister was surrounded at least by four or five IAS secretariat members who fulfilled the administrative tasks regardless of the presence of the minister.⁵⁸⁸ Besides owing to the generalist tradition, the IAS bureaucrats were assumed to have expertise on every issue. There were many cases where one IAS member was in charge of at least hundred committees. He was supposed to have expertise nearly on every subject matter and this resulted in inefficient administrative functioning.⁵⁸⁹

In replying these Nehru did not adopt a defensive language. Instead by his words he reflected the helplessness of the political elite vis-à-vis the bureaucratic cadres. He pointed out that regardless of the power of the Parliament or the ministers, the civil bureaucracy had an advantageous position owing to the sustained nature of their posts. This was just the contrary of the appointed ones' who had limited tenures. Nehru emphasized that until the appointed grasped the nature of procedures, his term ended and in the meantime the civil bureaucrats continued to administer the things.⁵⁹⁰

There were various cases that confirmed this diagnosis of Nehru. These events proved that the ministers, in most cases, had to obey the *fait accompli* of the bureaucrats. One of the most striking of these events was the confession of a Finance Minister who remained in that post for four years. In his complaint about the bureaucrats the Minister admitted that he did not and could not have control on the Central Secretariat. He claimed that acting as authorities on licenses, these bureaucrats excluded the Minister from the process by not informing him. In many cases, they issued import licenses without referring to the Minister. Facing these for

⁵⁸⁸ *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 8 March 1948, p.1779-80.

⁵⁸⁹ *Journal of Parliamentary Records*, List of Demands from the General Budget, 27 March 1950, p. 2214.

⁵⁹⁰ *Journal of Indian Constituent Assembly Records*, 1948-49 FY Budget Debates, 8 March 1948, p. 1783

long years, in order not to be regarded as feeble in the eyes of public, the Minister remained silent. But when India's foreign exchange problem intensified due to irresponsible imports and his policies began to be questioned harshly, the Minister revealed this fact to Nehru. As the correspondence between PM Nehru and Minister became public, some MPs asked for an inquiry into this.⁵⁹¹

This event was striking as it shed light on the civil servants contribution to the emasculation of various policies, including industrial licensing. This role of the civil servants was frequently debated as one dimension of corruption among the civil servants. This corruption included bribery, delay in execution of the decisions, manipulation of schemes or misuse of the public funds. Among these, however, the most frequently raised dimension was related to the civil servants' contribution to unsatisfying implementation of the five-year development plans, particularly programs which aimed at structural changes. Khanna claims that Indian bureaucracy hesitated to facilitate the poverty-alleviation programs and restrain the elite from their exploitative tricks.⁵⁹²

Arguments in the Indian Parliament were in full conformity with these scholarly claims. Critics of the civil servants defined them as the most important factor that hindered progress. According to these critics as the high echelons of the bureaucracy were accustomed to act for their own interests they posed a direct challenge to the efficient implementation of the plans. Some also referred to the civilian servants collaboration with other elite groups to serve both

⁵⁹¹Debates on General Budget, 12 March 1958, p.4606-7; Misra, *Government and Bureaucracy in India*, 1947-76, p.171.

⁵⁹²Khanna, "Rural Development in India With Special Reference to Poverty Alleviation Strategy", p.452.

for their own interests and interests of that particular group as seen in the case of watering down of the Panchayati Rajis in order not to challenge the interests of the rural elite.⁵⁹³

These high echelons of the bureaucracy had interwoven interests with the industrial capitalists also. While thwarting the Five Year Plans the civil servants delayed giving licenses and required documents to discourage the small entrepreneurs. Though by these they promoted an appropriate environment for monopolies, these bureaucrats also successfully manipulated the industrial capitalists in delivering licenses until they got what they wanted from them for their own interests.⁵⁹⁴

In all these claims critics explained this corruption by referring to the British legacy, the elitist structure of the IAS, irrationality of the civil servants or to the system created by Nehru. Those who referred to British legacy concluded that people who were trained in the tradition of the ICS, who “sold their souls to British” by the logic of not caring about the interest of their own country could not have kept pace with national objectives of the planned development.⁵⁹⁵ Those, who defined the elitist structure of the IAS as the main cause of their corruption, defined the IAS as “a special caste, a special hierarchy” who also regarded themselves as a separate class of people. Since they could not keep in touch with the mass

⁵⁹³ *Journal of Parliamentary Records*, Resolution Re: Five Year Plan, 16 December 1952, p.2449-50; Debates on General Budget, 16 March 1954, p.2333; *Journal of Lok Sabha Records*, Debates on General Budget, 8 March 1960, p. 4726, 4739; *Journal of Lok Sabha Records*, Debates on General Budget, 7 May 1962, p. 2983; *Journal of Lok Sabha Records*, Debates on General Budget, 9 March 1964, p. 4513; *Journal of Lok Sabha Records*, Debates on General Budget, 14 March 1966, p. 5397; *Journal of Lok Sabha Records*, Debates on General Budget, 16 March 1966, p.5900; *Journal of Lok Sabha Records*, Debates on General Budget 1971, 27 March 1971, p. 80; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.20; Dantwala, “Strategy of Agricultural Development Since Independence”, p.10; Chib, “Introduction” in *Rural Development in India: A Strategy for Socio-Economic Change*, eds., Ibbatnagar and Chib, p.13-4.

⁵⁹⁴ Ibid.

⁵⁹⁵ *Journal of Lok Sabha Records*, Debates on General Budget, 7 May 1962, p. 2983; *Journal of Lok Sabha Records*, Debates on General Budget 1971, 27 March 1971, p.80; Potter, “The Prime Minister and the Bureaucracy”, p.83-4.

they also failed to understand the dynamics of the society. Consequently all the development initiatives became inefficient in their hands.⁵⁹⁶

However, there was a general consensus on the correlation between the prevailing system adopted by Nehru and increased corruption of the civilian bureaucracy. The system empowered the bureaucracy extensively via its role of controlling allocations of raw materials and scarce resources, granting licenses both for the import and manufacture of the goods, taxation of goods and exercising quality control. These critics point out that while Nehru was criticizing the intermediaries between the state and the people, he himself was the creator of an empire of intermediates.⁵⁹⁷

Despite these diagnoses, the political elite failed to deal with the problem of “corrupted sabotaging” of civil servants efficiently. Instead they continued to intensify the tone of their criticisms regarding the civil servants parallel to the unsatisfying outcomes of the Plans. More than their elitist approach, these critics regarded the civil servants as the main factor which served these unsatisfying outcomes due to their various interest relations with other elite groups. These were very serious claims. In the analysis of other components, the interaction between these and bureaucracy is dealt with in detail.

Industrial Capital

Industrial capital, more truly monopolist industrial capital had great expectations from the Independence. Indian industrial capitalists complained about the discriminatory policies of

⁵⁹⁶ *Journal of Parliamentary Records*, Resolution Re: Five Year Plan, 15 December 1952, p.2431; Demands for Grants, 10 April 1956, p.4940, 4953-4; *Journal of Lok Sabha Records*, Debates on General Budget, 8 March 1960, p. 4726, 4739; Fontera, “Bureaucracy and Indian Development: The Problems of Attitudes”, p.470.

⁵⁹⁷ See *Journal of Lok Sabha Records* on General Budget of 1952, 1953, 1954; *Journal of Lok Sabha Records*, Debates on General Budget 1971, 25 March 1971, p.129; Taub, *Bureaucrats Under Stress: Administrators and Administration in An Indian State*, p.143; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.20.

the British government, particularly discriminating protection provided to the British capital that worked against the interests of Indian business class. They also criticized the British capital's stronghold over the economy of India. Moving from this point the Indian industrial capital defined political freedom as crucial since it was in the interest of the country but also, mainly for the interest of the "capitalists, the employers and the industrialists".⁵⁹⁸

These complaints shed light on the Indian industrial capital's perception of the national movement. The Indian capitalists regarded the national movement as the transfer of political and financial power from the hands of foreign monopolists to the national capitalists. In other words, for these national capitalists, independent India indicated Indianization of the monopoly capital. Due to this perception, Indian monopoly capital was regarded as the main impetus in toppling the British rule. In the terminology of the leftists scholars the process commenced by this toppling was shaped according to the class interests of Indian monopoly capital which was the "active conscription" of the state. They preferred this since the process assured immense capital accumulation.⁵⁹⁹

While the process' being a capitalist capital accumulation was an accurate definition, the term 'conscription' had strong notions that implied an unchallenged dominance of the industrial capitalists, which was not the case in the Indian context. While this was a common feature that capitalism shared with other components, the distinguishing feature of the monopoly capital was its coping with the challenging factors. Owing to its being the best organized elite group under the apex organization of the FICCI, the industrial capitalists successfully rebuffed challenges. They had a remarkable success in forming alliances with the other

⁵⁹⁸*FICCI Annual Report, 1930*; Singh, *Role of G.D. Birla in Indian National Movement*, p.56; see also Birla, *Bapu: A Unique Association*.

⁵⁹⁹See A.I. Levkovsky, *Capitalism in India* (Delhi: People's Publishing House, 1966); Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*.

components against the challenging ones and/or in incorporating with the foreign capital to preserve their position. Since the concern of this chapter is the interaction between ruling internal dynamics, the interaction of industrial capital with the political elite, the civilian bureaucracy as well as rural elite is analyzed in the following pages to have an idea about the scope of freedom that industrial capital enjoyed and to diagnose the degree of attainment of its expectations from independent India.

Kochanek identifies three periods related to the interaction between the political elite and industrial capital, more truly monopolist industrial capital. The first period was a period of uncertainty and conflict lasting from 1947 to 1953. This was followed by a period of accommodation which lasted from 1954 to 1963. The last period covered the years of 1963-1973 with the distinguishing feature of renewed conflict.⁶⁰⁰ While uncertainty arose from the ambiguities of the future of the newly independent country that was shaken by partition, various disasters such as earthquakes, floods and droughts, conflicts arose due to different approaches on some basic issues. In the course of this paper, first periods of conflict (1947-53, 1963-73) are analyzed with respect to the nature and timing of the adopted policies, reaction of the monopoly capital to these policies as well as responsiveness of the political elite to these reactions. Then the period of accommodation is analyzed with respect to its distinguishing features.

There were two periods of conflict and divergence. While the first lasted from 1947-53, the other covered 1964-73. The first period of uncertainties and conflict commenced in the immediate aftermath of the Independence. Policies of the era that led to the confrontation of the industrial capital and political elite were controls, rules and regulations which aimed at

⁶⁰⁰Kochanek, *Business and Politics in India*, p.216-7.

restricting the activities of the private industrial sectors as well as new tax schemes which were interpreted as schemes that restrained investment by the national capitalists. When the GOI set up an Income Tax Investigation Commission against many industrial groups, including the companies of the Birla group in 1950⁶⁰¹, this increased the inconvenience of the industrial capital.

Under these circumstances the leftists pressed for nationalization of private industrial establishments and consolidation of private property. In this claim leftists relied on the hostility of the general public to the industrial capital. Aware of this hostility the business community asked in “desperation” to improve this perception since in the country the private enterprise was being "looked upon with contempt, hatred and suspicion." The socialistic rhetoric of PM Nehru, on the other hand, provided the required ideological setting for these demands. It was in this context Nehru assured the nation on the precautions to prevent monopolies and concentration of wealth. The idea of establishing cottage industries at the advanced stage of the cooperative farming was another irritating aspect for the industrial capital.⁶⁰²

Comparison of these with the policies of the second conflict and divergence period (1964-73) revealed the correspondence between them, along with some differences. Deterioration of the relations between the political elite and industrial capital commenced shortly after the Chinese invasion of border areas. During the war, the industrial capital extended its full support to the political elite mainly by providing funds to the National Defense Fund. Yet when the GOI introduced new taxes and new controls to meet the increased defense needs, the industrial

⁶⁰¹Juneja, *G.D. Birla: Life and Legacy*, p.98.

⁶⁰²See Nehru's Parliament Addresses, *Journal of Lok Sabha Records* of 1948-53; Juneja, *G.D. Birla: Life and Legacy*; see also Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.181, 224-5; Kochanek, *Business and Politics in India*, p.216-7.

capital interpreted this as the flow of its wealth to the public sector. In addition to new taxes, the political elite enacted monopoly legislation in 1969, and made substantial modification of the industrial licensing policy to enlarge the scope of public sector as well as small-scale industries. When the political elite adopted a new industrial policy in 1971 that enabled public sector's entrance to new fields such as consumer goods, industrial capitalists did not hide their disappointment in these initiatives.⁶⁰³

Similar to the first period, the leftists, who had a powerful position in the country and the Parliament due to the increased grievances of the mass again focused the attention of the country on Birla. Claiming that he was guilty of a variety of corrupt practices, the leftists asked for a complete government investigation of the activities of Birla House. However, in contrast to the first period, undertaking of one of the most debated and most delicate issues, namely nationalization of fourteen commercial banks, was also regarded as the triumph of the leftists due to the assumption that nationalization curbed the monopolist power of the top industrial houses.⁶⁰⁴

With respect to rhetoric, the periods of conflict had similarities. Concerning the expectations of the mass, while the first period was distinguished by *Nehru socialism*, rhetoric of the second period was *garibi horatio*, eradication of poverty with the same promise of a more egalitarian social order. Examination of the context revealed the perfect timing of their adoption.

Policies of the first period of conflict and divergence were the byproducts of the immediate Independence. In the midst of communal revolts, vulnerable market conditions and emerging

⁶⁰³Erdman, "The Industrialists", p.134; Kochanek, *Business and Politics in India*, p.219-20, 223-4; Madan, *Congress Party and Social Change*, p.59-60, 169,

⁶⁰⁴Ibid.

raw material shortage due to partition, the Indian capitalists were grasped by the feeling of insecurity.⁶⁰⁵ Yet more than these conjuncture problems solution of which was possible in the process, suspicion from the new national administration shaped the interaction between the political elite and industrial capital. The industrial capital that envisioned an environment to foster the industrial capitalists in their country had difficulties in predicting the final intentions of the national government. A highly mobilized mass, on the other hand, ardently looked for the realization of their expectations regarding improvement of their lots, which were manipulated by the new political elite during the national movement.⁶⁰⁶

The second period of conflict, on the other hand, was distinguished by a frustrated mass whose expectations were unfulfilled to a great extent. As a result of widespread poverty, failure to attain an improvement in the lot of the mass and failure of the assumed trickle down impact of development and growth, Nehru's successors faced a highly radicalized population, expressing upon through various peasant movements. Due to the radicalization of the mass, both Shastri and Gandhi did not enjoy the high prestige that was attributed to Nehru. People's alienation from the CP, which found its expression in the decline of electorate support, was to a degree what Gandhi suspected that it could have the chance for survival till next elections.

Under these circumstances she undertook policies which were regarded as radical and challenging the stance of the industrial capital in rhetoric, such as nationalization of banks and coal mining. Undertaking in the framework of garibi horatio, these policies were regarded as a

⁶⁰⁵Juneja, *G.D. Birla: Life and Legacy*, p.98.

⁶⁰⁶K.N. Subrahmanya, ed., *Economic Development and Planning in India* (New Delhi: Deep and Deep Publications, [pub.y.]), p.x.

matter of survival not for her political career but also for the continuation of the regime when she hinted the possibility of a mass movement.⁶⁰⁷

In coping with these conflicts, the industrial capital developed various strategies to preserve its interest ultimately. The fundamental strategy developed by the industrial capital, regardless of the leadership in political elite, was de-investment. In the post-Independence era, the industrial capital first appealed to this strategy during the first conflict period. Complaining about the grip of the government in the form of new tax schemes and ambiguities in the foreign trade policy, industrial capital chose to de-invest and it reduced industrial production as these were the greatest possible challenges to the ultimate objective of the political elite, which was an increase in industrial production output. When PM Nehru appealed the industrial capital to end their efficient bargaining means, as the mouthpiece of the monopolist capital Birla proposed and obtained reduction in the level of direct taxes on business profits.⁶⁰⁸

The same scenario was put into force in the late 1960s and the early 1970s when the industrial capital faced more radical appeals of the political elite. Though the so-called 'radical' policies of the political elite did not pose such a serious challenge to the institutionalized interest mechanism of the big capital as was explicitly observed in the case of nationalized banks, the radicalized and aggressive tone of the political elite was again responded by the most efficient bargaining policy of the monopoly capitalists, de-investment. This time, in contrast to the monolith stance of the previous conflict period, duality was observed among the industrial capitalists.

⁶⁰⁷Indira Gandhi's Address at 1970 Session of Associated Chambers of Commerce and Industry; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.265, 332-3, 390-1.

⁶⁰⁸Mukherji, "The Private Sector and Industrial Policy in India 1946-56", p.181,189; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p. 226.

While the majority of the big industrial capitalists who were identified with the FICCI implied de-investment as a possible remedy for the industrial capital in case that the deterring environment for investment prevailed, the minority known as Bombay school and who were led by one of the tycoons of the Indian industry J.R.D. Tata adopted an aggressive policy line while putting de-investment strategy in force. In his memorandum to the GOI in 1972, J.R.D. Tata claimed that political elite was responsible for the existing “investment famine” in the country due to its impractical policies which constrained large industrial houses whose production comprised half of the total.⁶⁰⁹

The duality of the industrial capital in their reaction to the political elite was crucial as it represented the differentiation among the industrial capitalists. The majority of the industrial capitalists led by Birla and identified with FICCI were distinguished by their conciliatory approach in their dealings with the political elite. Though Birla expressed the contempt of the Indian capitalists after the advent of the national government due to the political elite’s “abuses, threats and warnings”, they continued to support the Congress government. The Birla-led industrial capital, which comprised the majority, repeated the same pattern of behavior after Nehru. Despite the pro-capitalists appeal of the Syndicate, Birla-led group supported Indira Gandhi before the split of the CP. In addition to this, despite the radical rhetoric of Gandhi in the 1971 elections and its aftermath, particularly during nationalization, again this group supported Gandhi.⁶¹⁰

The lasting support of the Birla-led group identified with FICCI was crucial as it indicated that Birla, as the mouthpiece of monopoly capitalists and political elite shared a common

⁶⁰⁹Nayar, *India’s Mixed Economy: The Role of Ideology and Interest in Its Development*, p.330.

⁶¹⁰Kochanek, *Business and Politics in India*, p.224-5; Juneja, *G.D. Birla: Life and Legacy*, p.98; Srivastava, *Pressure Politics in India*, p.112.

language. Despite the acclaimed contempt the main premise of this group's support given to the CP was lasting political stability. Birla believed that the CP under Nehru and Gandhi offered the best hope for political stability. In explaining his support to Nehru during the first period of conflict, Birla referred to Nehru as a balance point, the best option for the big capital in a Parliament that could have easily been diverted to the left. He relied on the same idea of political stability when he supported Gandhi in the late-1960s and the 1970s. The intensified economic problems, louder tone of anti-monopoly capitalists parallel to the political instability in the late 1960s by the weakening of the CP at the center confirmed the political judgment of Birla.⁶¹¹

In contrast to this conciliatory approach of Birla-led group paying special attention to avoid alienation of the political elite, other group that represented the minority in FICCI at least in the mid-1970s and led by Tata was known as the Bombay school. Adopting an aggressive approach, this group supported a more activist policy line and a straight promotion of the virtues of free enterprise vis-à-vis the political elite to influence the decision-making process. As they regarded Nehru socialism, taxation schemes, and controls as major threats to private capital, they supported the establishment of pro-capitalist organizations including the Swatantra Party, the first party challenging the consensus on prevailing economic policy. In its assertive tone, this group was not so occupied with the idea of political stability. Kochanek explains this relative indifference to political stability with respect to the location of their industrial establishments. In contrast to the Bombay-based industries of Tata and his followers free from any Communist movements close to their headquarters, Birla and other crucial

⁶¹¹Acharya, *Nehru Socialism: Colonialism, Capitalism and Ideology in the Making of State Policy*, p.191; Kochanek, *Business and Politics in India*, p.223-5; Juneja, *G.D. Birla: Life and Legacy*, p.98; Srivastava, *Pressure Politics in India*, p.112; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.231-2.

monopoly capitalists were located in areas where Communist threat to their existence was at its acme.⁶¹²

In the period under study this group only once had the power to influence the FICCI's position. In the mid-1960s under its influence FICCI broke with the Birla philosophy and adopted an aggressive tone. While its President attacked the GOI due to its abandoning of the pragmatic approach, the FICCI introduced various resolutions, which were critical to the government. Not only the PM Shastri but also Birla had to intervene. While Birla pacified the FICCI by saying that without CP the country could not prosper, PM Shastri through one of his Ministers urged that timing for such extreme criticism from the business community was not appropriate.⁶¹³

In the Indian context, therefore, a strong correlation between Birla and the CP was valid. While a strong CP by its multi-factional structure was regarded as a security valve by the mouthpiece of the majority of monopoly capitalists, in the process CP also used Birla to preserve the conciliatory position of the industrial capital. Examination of the process revealed the rationale behind this conciliatory role. As the mouthpiece of the monopoly capitalists for a long time Birla led the FICCI trying its best to lead changes in the decisions of the policy makers. This was done through FICCI's membership and consultant roles at various government commissions, committees and councils, including the Planning Commission, through personal contacts with ministers and media organs. Yet, when the FICCI leadership felt that it reached the limits of its influence, it accepted the things as the "fait accompli" of the system, where monopolist capital had to reconcile. At that point the conciliatory FICCI sought means and developed mechanisms in that fait accompli to convert

⁶¹²See Kochanek, *Business and Politics in India*, p.216.

⁶¹³Ibid., p.219-20.

the process for its own ends such as establishing direct contacts with the bureaucracy, exploiting the loopholes of the legislation or establishing alternative organs. Regarding this feature, Birla defined a genuine industrial capitalist as the one who had the ability to adapt himself to the changing conditions.⁶¹⁴

While these were the main strategy trends of the industrial capital in its interaction with the political elite during the periods of conflict, the last question left regarding this interaction was the responsiveness of the political elite to these strategies. In the course of the events, the political elite adopted a reiterating strategy vis-à-vis the monopolist industrial capital. With some minor exceptions, this reiterating strategy involved adoption of policies which challenged the industrial capital's interests, initial unresponsiveness of the proposals of the industrial capital for their amendment while propagating these policies within an ideological context, and, as the last move, undertaking modifications to appease the industrial capital or non-interference with the emasculating of the adopted policies.

During the first period of conflict the most striking retreat from the political rhetoric was the Industrial Resolution of 1948. This ended the industrial capital's crisis of confidence in the political elite concerning issues that might arise from the uncertainties of the future since, as Nayar points out the Resolution certified the status quo. As it did not pose a threat to the private sector the Resolution diminished the industrial capital's anxiety. Instead while referring to the limited sources for the public sector's expansion due to the prevailing circumstances, the Resolution implied a limitless expansion of the private industrial sector in

⁶¹⁴Acharya, *Nehru Socialism: Colonialism, Capitalism and Ideology in the Making of State Policy*, p.191; Kochanek, *Business and Politics in India*, p.218; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.235.

its recognition of the “valuable role” that the private capital played in attaining the national objectives.⁶¹⁵

Facing criticisms from the socialists and appreciation of the capitalists, Nehru justified the moderate tone in the Resolution of 1948 by pointing out the social responsibility that any one had to feel in the Indian context due to the extraordinary events that the country faced including the Independence. Emphasizing the peculiar conditions of the country, Nehru claimed that these compelled anyone to avoid taking steps which could injure the existing structure. Defining himself as “not brave and gallant enough” for more destruction, Nehru opposed the idea that sweeping away of all the things a country had for the sake of establishing “what might be called as a clean state” and stated that this would serve the delay of the progress.⁶¹⁶ This explanation reflected influence of the de-investment strategy on the political elite who regarded the obligation of efficient use of the industrial capital for economic growth.

Other retreats in policies which were criticized by the industrial capital were undertaken by the same justification. These included arrangements of tax schemes according to the demands of industrial capital, non-interference the expansion of the private sector into fields other than those regarded as the private sector’s responsibility, appraisal of the monopolization countrywide as a positive factor that contributed to economic growth and resistance to nationalization.⁶¹⁷

⁶¹⁵Nayar, *India’s Mixed Economy: The Role of Ideology and Interest in Its Development*, p.183-4, 225.

⁶¹⁶Vohra, *India’s Aid Diplomacy in the Third World*, p.192; Kochanek, *Business and Politics in India*, p.217; Nayar, *India’s Mixed Economy: The Role of Ideology and Interest in Its Development*, p.181-5.

⁶¹⁷See *Journal of Lok Sabha Records* of the 50s; also Nayar, *India’s Mixed Economy: The Role of Ideology and Interest in Its Development*; Sathyamurthy, ed., *Industry and Agriculture in India Since Independence: Structures of Power, Movements of Resistance, Volume 2* (Delhi: Oxford University Press, 1998); S.K. Gopal, *Monopoly Capital and Public Policy* (New Delhi: Allied Publishers Private Limited, 1979); Madan, *Congress Party and Social Change*.

In comparison to the first period of conflict, in the second period the political elite adopted a more radical rhetoric parallel to changes in the internal dynamics of the country. Yet retreats in policies showed great parallelism between the periods. In 1970 Session of the FICCI Gandhi advised the industrialists to take government as their friends, and not as an adversary. Examination of her era proved the accuracy of this advice to a great extent. The discrepancy between the rhetoric and outcomes was to such a degree that one could conclude that the more radicalized the rhetoric was the larger the scope of the retreat would be. Nationalization and anti-monopoly acts, changes in the industrial licensing policy, and enactment of a new industrial resolution were adopted in the midst of the protests of the industrial capital as well as assurance of the industrial capitalists regarding the preservation of their interests.⁶¹⁸

The last stage in these radical policies was their total abandonment parallel to the economic crisis of the mid-1970s. Without considering the structural bottlenecks as a cause, the industrial capitalists concluded that the radical policies led to this crisis. By the shift following this conclusion the agenda as well as rhetoric changed from distributive justice to economic growth.⁶¹⁹

In between these period of divergences, the Indian industrial capital and political elite had a period of accommodation. The period of accommodation lasted from 1954 to 1963. Examination of the era in global terms without penetrating into dynamics leads to the conclusion that this era was distinguished by a general conciliation between the political elite and industrial capital. According to such an examination, in the course of events the industrial

⁶¹⁸See *Journal of Lok Sabha Records* of 1969, 1970; *Journal of Lok Sabha Records*, 1 June 1972, column XVI; Gopal, *Monopoly Capital and Public Policy*, p.119-20; Fadia, *Pressure Groups in Indian Politics*, p.112-3; Madan, *Congress Party and Social Change*, p.172, 174; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.129; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.332.

⁶¹⁹Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.265, 332-3, 390-1.

capital submitted its opinion to the political elite regarding the policies such as heavy industry strategy and the Industrial Resolution of 1956. As seen in its reaction to the Second Five Year Plan the industrial capital tried its best to lead change or bring about relaxation in these policy decisions. But when it failed to do this, then it preferred to interpret the policy decisions as the fait accompli of the system while influencing their application for its own benefits. The industrial capital successfully exploited the loopholes in resolutions and legislation while enjoying cheaper inputs and infrastructure provided by the public sector in a protected domestic market free from competition. Under these circumstances it continued to expand and accumulated capital. The political elite, on the other hand, adopted some challenging concepts such as socialist pattern of society but its pragmatic interpretation of these as well as decisiveness to use all possible resources without alienating themselves to attain the national development objectives served the prevalence of accommodation.⁶²⁰

This period was, however, not free from confrontations. First of these confrontations occurred when the CP declared its determination of a socialist pattern of society. While announcing this, however, the political elite paid special attention to the appeasement of industrial capital. Assuring the industrial capital that there was not any scheme to replace the private industrial capital, Nehru stressed that the new policy was not aimed at socializing the economy but at developing large-scale industry in the public sector. There were various confrontations of this sort that had a repetitive development. In cases when the political elite adopted harsher attitudes due to the continued aggressiveness of the Bombay school, Birla acted as a mediator between the industrial capitalists.⁶²¹

⁶²⁰Marina Pinto, "Challenge of Liberalization to Indian Bureaucracy" in *Structural Adjustment, Public Policy and Bureaucracy in Developing Societies*, eds., R.B. Jain and Heinz Bongartz (New Delhi: Har-Anand Publications, 1994), p.315; Kochanek, *Business and Politics in India*, p.218; see also Bardhan, *The Political Economy of Development in India*; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, Chapter 4.

⁶²¹Kochanek, *Business and Politics in India*, p.218.

Kochanek defines the initiation of the Second Five Year Plan as the official inauguration of the new era of cooperation. This Plan provided substantial scope for the growth of the private sector. Despite some initial criticisms, the industrial capital attempted to adapt itself to the new arrangement that was appreciated by Nehru. During the period of rapid expansion under the Second Plan business-government conflict continued to diminish along with the debate over the relative merits of public and private sector development. By the early 1960s, the accommodation between business and Congress reached such a point that Nehru declared the friction between public and private sector as unnecessary and harmful. In his meetings with the FICCI, Nehru underlined the benefits of private capital for India.⁶²²

Thus, business-government relations during the decade from 1952 to 1962 moved from one of confrontation to accommodation. The formula behind this was the grasp of the Birla-led FICCI that Nehru's rhetoric was something different from his actions. While he was talking a great deal about socialism, Nehru never considered or did anything that really affected business interests. However, not all the monopolist had the same perception. Dissatisfied by the policies of the CP, the minority within the monopoly capitalists developed counter strategies against the CP such as establishment of a Forum for Free Enterprise, a pro-free enterprise organization for lobbying and Swatantra Party.⁶²³ This dual facet among the monopoly capitalists lasted until 1964 when the political elite had to abandon its pragmatic approach due to existing circumstances shaped by external and domestic factors.

The above-mentioned examinations give an idea about the interaction between the industrial capital and political elite at the Center. This does not reflect the total as the industrial capital

⁶²²Ibid., p.219-20.

⁶²³Ibid.

also had similar strategies at state levels. Until 1967 elections, the industrial capital preferred nomination at state legislatures to influence the implementation of the policies. But commencing in 1967 elections, an increased number of industrial capitalists preferred to join elections as MP candidates. The CP was highly responsive to the appeal of the industrial capitalists and nominated many capitalists. By and after this election there was a considerable increase in the number of industrial capitalists in the Parliament, which enabled them to influence the policies affecting the interests of the business community as a whole more directly.⁶²⁴ Besides, the above-mentioned examination reflects the visible dimension of the interaction. Parallel to this, there were certain hidden, sometimes open secret mechanisms that worked parallel to this dimension such as donations to political parties and employment of close relatives of the political elite.⁶²⁵

In sum, examination of the interaction between the political elite and industrial capital reveals that industrial capital was neither impotent nor omnipotent in its influence on political elite. In other words, the political elite was neither a puppet nor a master vis-à-vis industrial capital. Both components were careful not to lead a break in relations. Political elite justified this as an imposition of the context as India was a resource scarce country that had to exploit its resources cleverly. The industrial capital, on the other hand, justified this on political stability grounds as well as the political elite's flexibility to leave them a large maneuvering space to exploit the loopholes or use other components to emasculate the policies to the possible extent. Though the political elite was important as the legislative, industrial capitalists were aware of the crucial role that the civil servants had in the system.

⁶²⁴*Journal of Rajya Sabha Records*, Debates on the Resolution of Bhupesh Gupta for the Prevention of Big Capital's Intrusion to Elections, 2 December 1966; Fadia, *Pressure Groups in Indian Politics*, p.110.

⁶²⁵Related to this dimension see Gopal, *Monopoly Capital and Public Policy*; Srivastava, *Pressure Politics in India*; Bettelheim, *India Independent*; A.K. Lal, ed. *Elite and Development* (New Delhi: Concept Publishing Company, 1979).

The highly regulated economic system adopted after Independence obligated closer relations between the industrial capital and bureaucracy. Due to their allocative power these civil servants had an empowered stance vis-à-vis other interest groups. The industrial capital had to rely on the decisions of the civil servants at nearly every stage of its activities. In quantitative terms, the bureaucracy made seventy-five percent of the decisions affecting business. Due to this proportion, some categorized the relation between the civil servants and industrial capital as a dependency the premises of which were licenses, permits and quotas. Consequently, for the industrial capital to have good relations with the high echelons of bureaucracy was important, even more important than having good relations with the ministers, owing to the sustained nature of the bureaucrats' tenure in contrast to the brief tenure of the ministers.⁶²⁶

The industrial capital had a cautious approach in its dealing with the bureaucracy. Owing to its elitist structure that alienated them from the society in many ways it was not always easy to influence the bureaucracy. Awareness of these led the big capital to be careful in its relations with the bureaucracy, and avoid conflicts as much as possible as this could antagonize these important decision makers.⁶²⁷ Despite this important feature of the interaction, the high echelons of the bureaucracy were recognized as an important partner in emasculating policies. Without their contribution it would not have been easy for the industrial capital to exploit the loopholes of the legislation, regulations or resolutions.⁶²⁸

On the other hand, to assure the continuity of this partnership, the industrial capital had to rely on some mechanisms such as bribery, donations, employment of the relatives of bureaucrats as well as transfer of retired bureaucrats to the private sector, not only to assure the support of

⁶²⁶Weiner, *The Indian Paradox: Essays in Indian Politics*, p.282; Sandhyaashree Pathania, *Economic Elite and Public Policy* (Calcutta: K P Bagchi, 1989), p.41-2; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.21-2; Fadia, *Pressure Groups in Indian Politics*, p.108; Kochanek, *Business and Politics in India*, p.267.

⁶²⁷Kochanek, *Business and Politics in India*, p.269.

⁶²⁸Weiner, *The Indian Paradox: Essays in Indian Politics*, p.282; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.21-2.

bureaucracy distinguished by its allocative power but also to accelerate the procedures. The latter was an important consideration for the industrial capital since obtaining an import license in ordinary terms lasted one and half year. Worse than this the industrial capitalists required at least four years in meeting the terms of the required procedures for running an industrial establishment.⁶²⁹

Rural Elite

As the last component of the ruling elite coalition, the rural elite is distinguished from other components with respect to its pro-British stance. While regarding the continuation of the status quo as the best option for its interest, the rural elite considered the new national administration as a challenge for its survival. Putting the issue as a matter of survival or perishing, the rural elite was highly anxious of Independence.

The new Indian administration, on the other hand, did not attempt to hide its anti-feudal stance. Referring to the rural elite's exploitative nature as remnants of the British era, the political elite defined the existing rural elite as the most important factor impeding agricultural development. It pursued policies which proved the relevance of the anxieties of the rural elite. Yet this comprised one facet of the interaction between the rural elite and the political elite. Parallel to this, another mechanism was at force that led to a differentiation within the rural elite as semi-feudal landlords and capitalist farmers.

The agricultural development policies, regardless of their socialistic appeal, aimed to create capitalist farmers and accelerated capitalist production relations in the Indian rural structure. Justified by referring to the prevailing low agricultural productivity, the envisioned future of

⁶²⁹Ibid.,p.2.

rural India was made up of economically viable individuals and communities. This was the reason why the political elite did not interfere with the expansion of the big capitalist oriented landowners in rural India. Instead, the political elite devised means which compelled the semi-feudal landlords to convert into capitalist farmers. Top among these means was the semi-feudal landlords and intermediaries cut off from revenue collection. Though they continued to exist without this economic basis they felt insecure in the system. Facing these, many of the remnants of the British were convinced to adapt themselves to the new conditions hinted by the central government. Under these circumstances, the majority of the absentee-landlords and ex-intermediaries converted themselves into the new style landlords or owners of capitalist farms using modern techniques, which was propagated as a good source of income as well as the sole means to attain self-sufficiency in agriculture.⁶³⁰

Yet this recomposition in the rural India led to various confrontations between the rural and political elite as the first attempted to preserve its powerful stance vis-à-vis other components as well as lower segments in rural areas. The most important means that the rural elite relied on in its confrontation with the political elite was its participation in politics. Grasping the importance of this in shaping the policies, in the process the proportion of the rural elite increased considerably both at state and center level. While their share was 10.8 per cent in 1950, this increased to 18.3 per cent in 1952 and 26.1 per cent in 1962. The increased proportion also reflected the emerging diversification within the rural elite. While in the initial years they were predominantly absentee-landlords, these representatives in the Parliament reflected the differentiation among the rural elite. Despite their conflicting interests at varying

⁶³⁰Owdet, "Capitalist Agriculture and Rural Classes in India", p.88-9; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.179; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.219-20.

degrees, however, both the traditional landlords and capitalist farmers acted as a unified body when the interest of the rural elite was at stake.⁶³¹

Increased proportion of rural elite both in state and center level politics had important consequences with respect to the rural elite and political elite interaction. Through this representation the rural elite had a wide range of maneuvering space vis-à-vis the political elite. Being dependent on them concerning votes as well as funds, the political elite could not press for policies that challenged the rural elite's position. This increased power as well as the rural elite's ability to exploit conflicts within the political elite led to a successful striking down of Nehru's proposal for making the joint cooperative farming as the fundamental pillar of the agrarian reform. In this successful counter attack the rural elite also manipulated the fear of industrial capital regarding abolition of private property.⁶³²

In addition to this the rural elite was successful in its opposition and prevention of agricultural income tax and any intervention of the center regarding their profit margin on foodcrops, in promoting an appropriate environment for the lasting flow of the public resources into its hands in the form of various incentives, top among which was subsidies and successful

⁶³¹Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.202; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.180; Madan, *Congress Party and Social Change*, p.53, 251-2; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.176, 195, see also Sau, *India's Economic Development: Aspects of Class Relations*; Sharma and Punia, eds., *Land Reforms in India: Achievements, Problems and Prospects*; Rinode Mohanty, ed., *Economic Development Perspectives: Agriculture and Rural Development, Volume I* (New Delhi: Commonwealth Publishers,1991); Berberoglu, ed. *Class, State and Development in India*; P.V.S. Mahajan, *Indian Economy and Regional Development* (New Delhi: Deep and Deep Publications, 1982).

⁶³²Dubhashi, *Policy and Performance: Agricultural and Rural Development in Post-Independence India*, p.202; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.180; Madan, *Congress Party and Social Change*, p.53, 251-2; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.176, 195.

emasculatation of the revived land ceiling policies in the 1970s which were propagated by a more egalitarian rural order vision.⁶³³

These agricultural development policies of the political elite, in short, led to the acceleration of the capitalist mode of production in rural India and a dual structure among the rural elite. While the absentee-landlords continued to prevail, it was the heyday for capitalist farmers. The latter was distinguished from the first by their relation to the land. In contrast to the first that enjoyed rentier relations, the capitalist farmers involved in agricultural activities, cultivated their land by using hired labor in great proportions rather than relying on family labor to have agricultural surplus for market. For these capitalist farmers making investment in land and adoption of modern techniques in agriculture such as fertilizers and agricultural machinery to increase productivity were crucial due to their profit orientation.⁶³⁴

These features of the capitalist farmers were best fitted the expectations of the political elite as well as industrial capital, regarding an increase in agricultural productivity. On the other hand, the accumulated capital in these hands did not lead to a more egalitarian social order in rural areas, which comprised the other facet of the objectives of the political elite. Instead, parallel to the concentration of lands in few hands for capitalist ends, tenancy declined while landlessness and proletarianization increased. This was the general tendency where capitalist

⁶³³ *Journal of Lok Sabha Records*, Debates on General Budget, 14 March 1966, p. 5356, 5400, 5461; *Journal of Lok Sabha Records*, Debates on General Budget, 16 March 1966, p. 5953; Madan, *Congress Party and Social Change*, p. 225, 228-9; Malhotra, *Indira Gandhi: A Personal and Political Biography*, p.92-4.

⁶³⁴ Utsa Patnaik "Capitalist Development in Agriculture" in *Agrarian Relations and Accumulation: The 'Mode of Production' Debate in India*, ed., Utsa Patnaik (Bombay: Oxford University Press, 1990), p.44, 46; Owdet, "Capitalist Agriculture and Rural Classes in India", p.89-90; Ashok Rudra, A Majid and B D Talib "Big Farmers of Punjab" in *Agrarian Relations and Accumulation: The 'Mode of Production' Debate in India*, ed., Patnaik, p.27.

farming was more widespread. Though the emergence of the above-mentioned situations was a phenomenon common in all rural areas, it had varying degrees.⁶³⁵

In addition to this dimension of interaction, there were various cases where the industrial capitalists became the third component. In contrast to the initial support of the industrial capital given to the rural elite on the land reform issue, the interaction of the industrial capital and rural elite was highly tense due to the clashing interests of these two components. Until the mid-1960s the rural elite felt that its interests were sacrificed for the sake of the industrial capital by pointing out the minor amount of the allocations earmarked to the agricultural field. This state of affairs led to acute tensions between the industrial capital and the rural elite.⁶³⁶

The interaction between the industrial capital and rural elite varied depending on the differentiation among the rural elite. As they regarded semi-feudal absentee-landlords as factors impeding agricultural productivity and expansion of domestic market, they extended their full support to any schemes, which challenged their position in the rural structure. Yet this challenge had its limits since some of the programs as well as slogans also led to the shattering of the basis of their own existence.⁶³⁷

⁶³⁵Patnaik, "Capitalist Development in Agriculture", p.44,46; Owdet, "Capitalist Agriculture and Rural Classes in India", p.89-90; Rudra, Majid and Talib "Big Farmers of Punjab", p.27.

⁶³⁶Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.66; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.282-3.

⁶³⁷*Journal of Lok Sabha Records*, Debates on General Budget, 11 March 1958, p. 4390; Debates of General Budget of FY 1958-59; *Journal of Lok Sabha Records*, Debates on General Budget, 9 March 1964, p.4523; Sau, *India's Economic Development: Aspects of Class Relations*, p.73; Pramit Chaudhuri, "Economic Planning in India" in *Industry and Agriculture in India Since Independence: Structures of Power, Movements of Resistance*, ed., Sathyamurthy, p.97; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.124, 129; Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*, p.233; Punia and Sharma, "Problems in Implementation of Land Reforms in Harayana", p.332; P.C. Joshi, "Agricultural Transition in India: The Interplay of Technology and Ideology in Social Transformation" in *Nation Building in India: Socio-Economic Factors*, ed., R C Dutt (New Delhi: Lancer International, 1987), p.78.

In seeking a mid-way to attain their expectations in agriculture field without endangering the property relationship of the industrial capital, they welcomed the new agriculture strategy. Their support for this new strategy had two dimensions. While one was related to an increase in agricultural productivity, the other was the possibility of expansion of domestic market parallel to the assumed trickle down effect of the policies. Though this strategy was a success in creating capitalist farmers and fostering capitalist relations, the second dimension was not attained. The agreement with the capitalist farmers based on their role to increase agricultural productivity and surplus product was, however, not enough to assure an interaction free from conflict. Instead the increased power of these farmers and parallel increase of their incentives as a result of their successful bargaining comprised the tensions in the interaction of the industrial capital and capitalist farmers.⁶³⁸

A crucial factor in the pro-rural elite atmosphere of the mid-60s was the US agencies, which had direct contribution to the rural elite's increased preponderance within the ruling elite coalition. The appropriate environment for this increase could be defined as the successive droughts, deficiencies in food crops production, continuous food importation and 'announced shame' due to India's excessive dependency to foreign countries in order to feed the nation as well as death of Nehru were the main domestic factors created a favorable atmosphere for the rural elite. The US agencies such as the Rockefeller and Ford Foundations successfully exploited this favorable atmosphere. The propagation for the need for large 'progressive' landowners and the necessity of various subsidies contributed to the pro-farmer atmosphere within the country. The outcome was the Green Revolution that created another type of dependency for the country.

⁶³⁸See Sau, *India's Economic Development: Aspects of Class Relations*; Sathyamurthy, ed., *Industry and Agriculture in India Since Independence: Structures of Power, Movements of Resistance*, volume 2; Dutt, *Nation Building in India: Socio-Economic Factors*.

Yet it should be mentioned that by some overall policy suggestions as well as fund raising, the US administration in one way or another challenged the interests of the rural elite. In the 50s majority of the American aid allocations were in the form of emergency food aid. In addition, American aid was earmarked for the Community Development Projects. This also meant the indirect confrontation of the USA with the Indian rural elite. Though the CDPs did not pose a direct challenge to the interests of the rural elite, in the long run it could be a serious challenge. The CDPs envisioned a rural population, which is productive, consuming and aware of the existing opportunities and services. It was due to this envisioned future, the rural elite emasculated the CDPs successfully.

The US administration's sensitivity on the land reform issue was another source of confrontation. In contrast to the case of the Turkish rural elite who had a conceptual confrontation, the Indian elite had a direct confrontation with the USA. The US policymakers defined the land ownership pattern of India as a problematic one. In their perspective India was one of the countries, which had to achieve its land reform issue.⁶³⁹

The over-sensitivity of the US policymakers regarding India was due to the so-called social revolution in Asia. Despite these suggestions and the land reform policies of the Indian governments, however, this issue remained unsolved in India also. In contrast to the expectations, there was not a social revolution of the kind that the USA defined. Militancy of the peasants was not widespread, instead remained limited locally.

⁶³⁹Confidential Communication from ECA Administration to all ECA Missions, 26 April 1951, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56

Concluding Remarks

Examination of the interaction between the ruling elite coalition and the mass as well as the interaction between the components of the ruling elite coalition shed light on the inner dynamics that led to the discrepancies between the rhetoric and practice of the development strategies. Importance of the examination of internal dynamics lies in the fact that it sheds light on the local context that serves or impedes attainment of national objectives regarding development. Evaluation of the Turkish and Indian development processes concerning their outcomes reveals their success with respect to sectorial and national growth rates, national income and improved infrastructures. Yet, they were unsatisfying with respect to prevailing widespread poverty, majority's inaccessibility to existing resources and growing injustice in income distribution. This was not an unexpected outcome as the systems were arranged in a manner that they denied the diffusion of resources; instead they served the concentration in the hands of the minority.

Analysis of the mass and ruling elite coalition reveals the mass' lacking an alternative in the real sense. Though by using its electorate power it had the ability to influence the recomposition of political elite, the scope of its power was limited vis-à-vis the complicated institutionalized interest networks of the elite groups. Examination has indicated the irony in the interaction of the mass and some components of the ruling elite coalition. One of the important and ironical aspects was the ability of the elite groups to manipulate the mass for their own ends. The mass that was feeble to lead a change in the preponderance of the coalition turned out to be a means who served the institutionalized interest networks of the elite groups.

Justification of various policies which ensured efficient flow of the public resources to the elite groups such as subsidies and bank credits; or, prevention and emasculating of policies that challenged interests of the ruling elite such as taxation schemes were done by using the mass as a pretext for these policies. Besides, via punctual interference of the political elite radicalization of the mass was prevented. This interference was mostly in the form of adoption of radical rhetoric distinguished by social justice and/or pragmatic socialistic notions which touched upon the expectations of the mass.

With respect to this ironical empowerment, the rural elite had a peculiar condition. Their influence on local politics and wide electorate basis were important deterrents for the political elite for not being firm on various issues and policies. Put in other words, the last dimension indicated the inability of the mass to grasp the role that it played in the institutionalization of the interests of the rural elite. As seen in the Village Institutes and Community Development Program issues, the rural elite safeguarded its interest by opposing and emasculating any schemes that led to an overall structural change in rural areas. Particularly true for Turkey, in this opposition the rural elite successfully manipulated the values and fears of the mass including religion, communist threats and atheism.

As the examination reveals those who had the power to lead a change in the preponderance of the ruling elite coalition were the elite groups themselves. Yet any change in the preponderance of the components was not undertaken for the sake of the mass; instead, the concern was to reinforce its stance vis-à-vis other components of the ruling elite coalition. In other words, interactions between themselves were shaped by the concern regarding domination, or at least, preservation of position in the coalition vis-à-vis other components.

Inability of the Turkish and Indian policymakers to increase the domestic savings parallel to their failure to develop an efficient tax system, growing deficit in budgets, high inflation rates, depletion of resources due to subsidies and various forms of incentives for investments which served the economic and social development of the country were indicators of the elite coalition's indifference, even neglect, of the overall interests of the country when the interests of the components were at stake.

All these serve the deceleration of the economic development. Investments shaped by the interest-orientation of the elite groups result in distorted growth patterns without a genuine development. The high and quick profit concern of the industrial capital has led to the emergence of pseudo-industrialization that served the empowerment and reinforcement of the big industrial capital at the expense of others, but at the same time increased the country's dependence on center countries. This dependency had various facets such as dependency in foreign capital, technology as well as basic inputs. The price of this dependence had to be paid by the nation as a whole, as it led to mounting indebtedness and increasing balance of payments problem. While this was related only to the big industrial capital, political elite's decisions and support of other elite groups to minimize their dissatisfaction and discontent also led to a considerable waste of resources and irrational management of things.

Relying on these outcomes, it can be concluded that pragmatic preferences and shortsightedness of the ruling elite groups were important factor that contributed to these countries' unattainment of self-reliance and increased dependency to center countries. Questioning of which component had more contribution to these outcomes indicates that all components had a role in this shaping. It was not easy to define some as master or puppet in the hands of the other component. Owing to the circumstances and national priorities, each

component had varying degrees of influence. But among others, the civilian bureaucracy had distinguished features as regardless of the conjuncture developments. It was the most powerful component vis-à-vis other components as the established system offered huge opportunities to these civil servants by endowing them with allocative power. Exploiting the loopholes of the system, the bureaucracy was the key determinant in the distortion of policies to a great extent.

Yet in this diagnosis the important thing that should be kept in mind is that as the elite groups of an underdeveloped country they had serious setbacks shaped by the strategies of the center countries to preserve and reinforce their interests in the center-periphery dichotomy. In other words, attempt to explain the failures and successes of a country only with respect to internal dynamics is misleading since none of the countries were free from the influence of external dynamics of the center.

Influence of the external dynamics varied depending on the type of these dynamics. The armed intervention of any country distorted the nature of development process since it necessitated more allocations for national defense. Or, true for the period under study, the Cold War context paved the way for immense armament shaped by the theory of deterrence. There were other types of interference emerging as a countervailing policy against a country's national priorities and preferences about its role in the international division of labor, development policies and foreign policy. This latter type of interference was shaped by the strategic concerns of advanced countries.

The next chapter is the analysis of the interaction between Turkey and India as peripheral countries and the USA, as the superpower of the capitalist center countries in the post-World War II with special reference to the global (world economic system) as well as conjuncture (the Cold War) setting.

CHAPTER IV

EXTERNAL DYNAMICS: TURKEY AND INDIA IN WORLD AFFAIRS

I. Turkey in World Affairs (1947-73)

Turkey as a country in the free world bloc was among the top that benefited from the foreign aid program of the USA. Welcomed and highly proud of this alliance, the Turkish policymakers referred to it as the proof of Turkey's importance in the international affairs. Besides, they regarded it as a golden opportunity for Turkey who suffered from foreign exchange shortage and low domestic savings. The US administration, on the other hand, regarded Turkey a crucial link in the containment of the socialist ideology which was identified with the USSR totalitarianism. Though shaped by different considerations both Turkey and the USA emphasized the importance of their alliance.

Mutual expression of the importance of alliance, however, did not ensure a relation free from tensions and conflicts. Examination of the process revealed that 50s was an era when the allies had full conformity on diplomatic issues whereas they had serious confrontations on economic issues. What contributed to the tension was the USA's priorities shaped by her hegemonic power considerations and Turkey's over-confidence regarding her importance in the Cold War context. In contrast to this, the 60s were distinguished by a dual confrontation. In addition to the economic issues, diplomatic issues became matters of confrontation. The milestone in this confrontation was the Cyprus issue that led to the breaking of the glass and compelled Turkey to see the realities. In the following pages, the USA and Turkey relations are analyzed with respect to economic, diplomatic and military issues.

a. The USA & Turkey on Economic Issues

Demands of the Superpower and Their Timing:

In the post-WW2 era, Turkey's entrance into the foreign aid regime of the USA indicated a new beginning in the USA-Turkey relations. In contrast to Turkey's loneliness vis-à-vis the threats of the USSR and indifference of the USA to Turkey's call, by the 1947 Greek-Turkish Aid Program the USA declared her alliance with Turkey. After this date, as the main source of foreign aid, the USA became a factor that Turkish policymakers had to take into consideration in shaping their economic policies. Its influence was apparent in the immediate shift of the locomotive sector of Turkish development policy. In contrast to the pre-war years when there was continuity in the development policy of the country, shifts occurred concerning these policies in the immediate twenty-seven years (1946-73) of post-WW2 era. Following Turkey's entrance to the US foreign aid policy, Turkish policy makers had to design the development policies by the recommendations of the western "free world" Bloc. While the locomotive sector of the development policy was agriculture in 1946-60 era this was reoriented as industrialization in 1960-73 era.

The "free world" bloc countries were firm on the shift in locomotive sector and Turkey's participation into the ERP was possible only after this change from industrial-led to agricultural-led development policy. In the context of Turkey this had a special importance as this indicated the abandonment of one of the ultimate objectives for the attainment of which the Republican administration endeavored since the foundation of the Republic. Turkey pursued an industrialization-led development program in the pre-WW2 era by refusing the center countries' recommendations for the contrary. For the Turkish policymakers heavy steel plates and power plants were more important than agricultural reform. As the country had adequate food supplies, the latter was not regarded as a prime necessity. In the London

Conference of 1933 Turkey's Minister of Economy Celal Bayar stated that Turkey refused to accept colonial status implied by the developed countries regarding her role as an agricultural country in the international division of labor.⁶⁴⁰

This refusal was due to Turkish policymakers belief that only by industrialization LDCs could attain their real economic independence, minimize their dependency on advanced countries as well as assuring their full economic and political independence. The development strategy of the era until post-WW2 was shaped according to this highly accepted view. In the appraisal of the development drive in pre-WW2 era, industrial development was defined as the means that Turkey relied on for the last two decades to attain a new balance in its economy. As a result of the industrial-led development Turkey began to exploit iron, coal, chrome, copper, zinc, omery resources. Furthermore, there were construction of an iron and steel plant, establishment of cement, glass, paper, textile, other light industries and an expansion of transportation, power and communication facilities.⁶⁴¹

In essence, policy recommendations of the USA in the framework of the ECA regarding the change in the locomotive sector were contrary to Turkish policymakers' expectations. In their welcoming and propagation for foreign aid, the policymakers stated that by the expected financial aid from the USA, Turkey would strengthen her industrial basis and attain her

⁶⁴⁰Peter Sugar, "Economic and Political Modernization" in Robert E. Ward & Dankwart A. Rustow, ed. *Political Modernization in Japan and Turkey*, New Jersey: Princeton University Press, 1964, p.170; Henry, *The Mediterranean Debt Crescent: Money and Power in Algeria, Egypt, Morocco, Tunisia and Turkey*, p.197.

⁶⁴¹Confidential Document of ECA Supporting Enabling Legislation for 2nd Appropriations, Presentation to the Bureau of Budget: Turkey, RG 59, Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50.

industrial development. They hoped that these aid allocations would be used for the acceleration of the industrialization attempts.⁶⁴²

The first country program of Turkey that was submitted to the OEEC (then OECD) well reflected this belief. The plan suggested the improvement of basic industries. Objectives in this program were the modernization and expansion of existing industries by importing suitable machinery, rationalization of production methods to reduce cost prices and reduction of the volume of imports. Textile, cellulose and paper, cement, chemical, meat and fish, sugar industries were the highlighted basic industries. In terms of heavy industry, the program mentioned iron and steel industry, output of which covered about 40 % of the national demand as of 1948.⁶⁴³

However, there was a difference in opinion regarding the locomotive sector as revealed by OEEC's refusal of the program on the grounds of its being a very "ambitious" plan that did not meet the expectations of the OEEC. By the recommendations of the OEEC, Turkey revised her country program where the sectoral priorities were agriculture, transportation related to agriculture and energy units. As a participant country, Turkey's commitment to contribute to ERP was an increase of its agricultural production to a certain level; for cereal grain production, to 10.300.000 tons and for cotton fiber production to 100.000 tons by 1952. In addition, Turkey was committed to export 1.000.000 tons of cereals to Western European

⁶⁴²Information Note from American Ambassador to Secretary of the State on March 16 1947, RG 59, Department of State, Decimal File, 1945-49.

⁶⁴³Long Term Program of Turkey, 1948. RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50. Subject File: Turkey, 1947-50, Administration.

countries. Improvement of the transportation system, mainly the highways, was defined as a crucial means to attain this objective.⁶⁴⁴

Refusal of the industrialization-led program indicated the end of Turkish policymakers' overoptimism and misinterpretation of the process. USA's disapproval of such an industrialization program was well reflected in her decline of Turkey's appeal for a loan of \$ 500 million during war years. This loan was demanded for the implementation of the Industrialization Plan of 1946. Anxiety to raise the living standards of the citizens as well as a desire to play a constructive part in the international trade composed the main rationale behind the Program. For the US administration, on the other hand, the program was "ambitious"; as it did not approve such ambitious programs it declined to raise the demanded amount. Instead it provided only \$ 25 million and in order to receive this amount, Turkey had to curtail the most vital projects of the Plan such as expansion of production in Karabuk Iron and Steel Plant, a high priority plant with respect to economics and military, and the establishment of railway hauls connected to the Plant.⁶⁴⁵

Consistent with this decline Turkey's participation into the USA foreign aid program was justified by her comparative advantage related to her agricultural potential. The expected role of Turkey was defined as supplier of agricultural and raw materials as much as possible.

⁶⁴⁴Information Regarding American Postwar Economic Assistance Programs to Turkey, 1950. RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50. Subject File Relating to Turkey, 1932-51, Box: 38, NARA; Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective*, 1945-71, p.33-4; İlhan Tekeli & Selim İlkin, *Savaş Sonrası Ortamında 1947 Türkiye İktisadi Kalkınma Planı*, Ankara: ODTU, 1974, p.10.

⁶⁴⁵Top Secret Memo from Department of State to American Embassy in Ankara, October 2, 1945, RG 59, Department of State, Miscellaneous Lot File, Office File of Harry N. Howard, UN Advisor, Bureau of Near Eastern, South Asian and African Affairs, 1940-57, Box 45; Secret Report on "Turkey's Need For and Capacity to Service Further Foreign Loans" by Edward B. Lawson, December 23, 1946, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56, Box 1, Folder: Loan (Agreements); Boratav, *Türkiye İktisat Tarihi 1908-1985*, p.76-7.

Turkey was a logical choice because it was the only country where land resources and climatic conditions offered the possibility of significant increases in agricultural production. The American officials underlined that it was only Turkey who had the potential of supporting much more than her population by her large areas of uncultivated land. Main means of the program was the agricultural mechanization, importation of which was mainly from the USA.⁶⁴⁶

In addition to the strategic considerations of the center countries, the practical necessities of the day were another important factor in this policy suggestion. Referring to the cereal-deficiency and starvation in European countries, the US administration defined Turkey as the sole possible choice among the participant countries as she had escaped from the physical damage of the war. These practical needs shed light on why the American officials defined the agricultural program as the most essential one and why failure in this program might mean the failure of the Marshall Plan.⁶⁴⁷

The Western experts had a considerable role in the creation of a favorable atmosphere for agriculture-led development. First of all, there was an evident consensus in the recommendations of the Western experts and institutions about development strategies of

⁶⁴⁶Memo of the Meeting Between Minister of Agriculture and Russell Dorr on November 18, 1950, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Technical Assistance Division, Records Relating to Technical Assistance Projects, 1948-53; General Memorandum of the 1950-51 and 1951-52 Programs: Turkey, OEEC, April 1950, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Mission to Turkey, Office of the Chief of Mission, Subject Files 1948-56; Report of American Postwar Economic Assistance Programs to Turkey, 27 February 1950, RG 59, General Records of the Department of State, Records of Greek, Turkish and Iranian Affairs, NARA.; Bahattin Akşit, Köy, Kasaba ve Kentlerde Toplumsal Değişme, Ankara, Turhan Kitabevi, 1985, p.30.

⁶⁴⁷Memorandum of the Meeting at the Ministry of Agriculture between Minister of Agriculture Cahit Oran and Russell Dorr, Chief of Mission on November 29, 1949; Report of the Committee on Foreign Aid, Department of State Bulletin, Vol XVII, October 5, 1947; Oral History Interview with John Hickerson, Director For European Affairs, 10 November 1972, Harry Truman Library; Evan Thomas, 'The Man and the Plan' Newsweek, Special Report, 26 May 1997, Vol. CXXIX, No. 21, p.15; Harris, Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71, p.31.

Turkey. Their common suggestion was that the locomotive sector of Turkey had to be agriculture, parallel to the establishment of some light industries. Pioneering among these sorts of reports in the post-WW2 era were the Thornbourg Report of 1949 and the Barker Report of 1950.

Max Thornbourg, as the representative of a big US contractor firm, prepared a report about Turkey in 1949. In the famous Thornbourg Report, industrialization was restricted to light industry, namely production of simple agricultural and transport equipment, primitive forging and assembling processes as well as production of construction material and foodstuffs. The Barker Mission prepared another important report dated 1950, the Barker Report. It acted as a reference paper for later decision-making processes for the US policy makers. According to Suleyman Demirel this Report's importance lies in the fact that it reflects the still prevailing atmosphere in the center countries.⁶⁴⁸ In the Report, development strategy in pre-WW2 era was criticized on the grounds that by having a prominent role in the process of westernizing the Turkish economy, industrialization had outstripped the development of agricultural resources on which it must be largely based. To support this argument, reference to Muntz Report of 1950⁶⁴⁹ was made:

Unfortunately in the past the fundamental importance of agriculture has been neglected in favor of industry and public works. Large sums have been spent on industry that lacking the foundation of a healthy and efficient agriculture has resulted in an ill-balanced economy. Great efforts are now being made for agriculture but it is to some degree as if a man has

⁶⁴⁸Interview with Ninth President of Turkish Republic Suleyman Demirel, 11 August 2001, Ankara.

⁶⁴⁹Muntz Report of 1950, Entitled as "Economic and Commercial Conditions in Turkey", British Embassy, Ankara, 1950.

made a roof but no walls to his house and no has to support the roof on his back while he builds the walls.

Moving from this criticism, it was recommended that Turkey should first and foremost exploit her agricultural resources, with an overall coordinated plan of agricultural development that gave some indication of priorities and their relative importance. Prerequisite of attainment of full exploitation of agricultural resources was defined as a drastic reorientation of government policy since up to date Turkey's primary interest was on industrial development, with much lip service given to agriculture. Industrialization endeavors of Turkey were defined within the framework of modernization and Turkey's preoccupation with Westernization, but with a weak foundation.⁶⁵⁰

In the support of agriculture's being the locomotive sector, the reports referred to USA's experiment since agriculture had played a crucial role in the USA. Turkish authorities underestimated the vital role that agriculture could play in development. Related to industry, some industries such as manufacture of fertilizers, cement or textiles, and plants for the processing of certain agricultural products were defined, as certain for economic development of Turkey and that these should not to be neglected.⁶⁵¹

⁶⁵⁰RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files(Central Files) 1948-56, Box 12, Folder: Investments-Finance, 1950; Barker Mission to Turkey: Member Report No.9 on Turkish Agriculture Prepared By L.E. Kirk And William H. Nicholas, October 15, 1950, Confidential Barker Report, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

⁶⁵¹Barker Mission to Turkey: Member Report No.9 on Turkish Agriculture Prepared By L.E. Kirk And William H. Nicholas, October 15, 1950, Confidential Barker Report, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56.

It was again the center countries that recommended reorientation of the development strategies in 60s. Until this date during agriculture-led development strategy consistent with the recommendations of the center countries Turkey created an industrial sector distinguished by agriculture-related branches of light industry such as textile and food processing. In addition to this, the center countries recommended self-sufficiency in cement, bricks and other construction materials. As additional industrial branches they recommended cellulose and paper industry, chemical industry and iron-steel industry, though with a modest allocation. Besides possibility of establishing a simple metallurgical industry was also highlighted.⁶⁵²

As a result of the industrial activities in 50s, Turkey reached a stage that enabled her to advance to the next stage which was the establishment of intermediaries as well as durable consumption good industries. By the reorientation of the development strategy in 1960s, the role of agriculture as the locomotive sector in economic development changed as the complementary one. This “complementation” aroused from the fact of its being the main source for exportation, supplier of raw materials as well as being a market for domestic industry.⁶⁵³ Similar to the previous era when Turkey was like an open market for the modern agricultural inputs, in 60s by her transition to the advanced stage in industrialization, she remained to be a continuous market for the center countries to supply required industrial inputs.

⁶⁵²OEEC Program Secretary: General Memorandum of Turkey’s Long Term Program, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50; Restricted Report on “Economic Position and Prospects of Turkey”, IBRD by Murray Ross, June 4, 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Subject Files (CENTRAL FILES) 1948-56, Box 12, Folder: Finance-Banking; Keyder, “The Political Economy of Turkish Democracy”, p.43.

⁶⁵³Margulies and Yildizoglu “Agrarian Change: 1923-70” in in Schick and Tonak ed., Turkey in Transition: New Perspectives, p.283

Connection with the center countries through foreign aid had also important repercussions on other economic issues. One of the basic themes in the country program of Turkey was encouragement of private capital as the US administration was highly critical of the etatist system in Turkey. Increase of the private capital's economic activities, reduction of government intervention and ownership in industry as well as reliance on more market decisions and price mechanism in both local and foreign markets were the measures in the U.S. Turkish Special Agreement, an agreement signed on July 4, 1948.⁶⁵⁴

Promotion of private capital and encouragement of a favorable environment for the private enterprises was one of the top concerns of the US administration. The American policymakers conditioned the success of "certain basic objectives" of the foreign aid programs of the USA, such as creation of market economies, "free enterprise spirit", multilateral trade to the promotion of the private capital.⁶⁵⁵ Regarding the etatist structure as a main hindrance for a favorable environment, the American policymakers devised various mechanisms and made recommendations including earmarking of aid allocations for domestic private enterprises and appointment of a businessman as the Chief of Mission on grounds that this could promote private capital.⁶⁵⁶

Yet in this demand for a favorable environment for private capital, the US administration's sole concern was not domestic private capital but foreign capital also. In the country statement of the National Security Council of the USA this was referred to and suggestion was made for

⁶⁵⁴Report Entitled as American Postwar Economic Assistance Programs to Turkey, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files Relating to Turkey, 1932-51; see Zvi Hershlag, Turkey : An Economy in Transition, Hershlag : Uitgeverij van Keulen, [1958].

⁶⁵⁵Confidential Memo from Russell Dorr, Chief of Mission to Edward Dickinson Jr., Program Coordination Division ECA, 6 May 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files, 1948-56.

⁶⁵⁶Memo from Donald Stone, Director of Administration to Paul Porter, Chief, European Office, MSA, January 4, 1952, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Director of Administration, Administrative Services Division, Communications & Records Unit, Geographic Files, 1948-53.

the continuation of activities that enabled a favorable environment for foreign private capital as well.⁶⁵⁷ This was an issue that the American officials asked for in their dealings with the Turkish authorities while they were expressing their belief on the possibility of foreign capital's contribution to Turkey's development. They recommended Turkish policymakers to consider the crucial question of making the country attractive for foreign investment through incentives provided for the foreign investors.⁶⁵⁸

In the policy statement regarding the issue, the American officials discussed the positive and negative features of Turkey for foreign capital. While they pointed out "great resources", surplus of unskilled labor force and energetic nature of her labor force as positive features, as negative features they referred to bad memories and distrust in foreign capital due to capitulations, foreign exchange risks and controls as well as widespread acceptance of etatism.⁶⁵⁹ These diagnoses shaped the course of negotiations and the American officials endeavored to minimize these negative features in the process.

Liberal foreign trade regime was another issue that was recommended, and by the time of Turkey's entrance to the foreign aid regime.⁶⁶⁰ In essence, like other economic issues, foreign aid was conditioned to this liberalization instead of recommendation this could be regarded as the imposition from the center countries. The center countries justified this liberalization with respect to Turkey's being a possible efficient unit in the multilateral trade system.

⁶⁵⁷Note by the Executive Secretary to the NSC: Statement of Policy on Turkey, 14 14, 1955, RG 273, National Security Council Policy Papers, NSC 5510.

⁶⁵⁸Secret Security Information, Memo of Conversation Between Ambassador McGhee and Foreign Minister Köprülü on February 1, 1952, RG 59, Department of State, Decimal File, 1950-54; Memo of Conversation Between Fatin Zorlu, Assistant Secretary of Turkish Ministry of Foreign Affairs in Charge of Economic Affairs, Nihat Alpar, Financial Counselor Turkish Embassy, Willard Thorp, Assistant Sect for Economic Affairs, 6 April, 1950, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files Relating to Turkey, 1932-51.

⁶⁵⁹Policy Statement by the Mutual Security Agency Special Mission to Turkey for Economic Cooperation, 2 May 1952, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files, 1948-56.

⁶⁶⁰Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.337.

In the foreign aid program, the US policymakers were sensitive to arrange the foreign aid policy to serve best for the realization of multilateral trade, one of the ultimate objectives of the program for the well being of the world capitalist economic system. Creation of such a trade system would mean free inflow of the goods. Consistent with this objective of the superpower, as an aid recipient country, Turkey had to adapt its economic and commercial policy to these policy lines. In order to receive the aid Turkey began to liberalize its commercial system by degrees. Explaining the main factor behind these arrangements, Finance Minister of the era stated that unless Turkey worked to adapt economic and commercial arrangements to the world system, she would take such credit only much later and under difficult terms.⁶⁶¹

In their dealings with Turkish policy makers, American diplomats frequently raised the issue. They stressed that for new foreign aid allocations Turkey had to rely on the contribution that she made towards the European economy but also saving Europe dollars by exporting its goods and also assuring Europe that she would and was a certain market that was capable of great possibility of expansion.⁶⁶²

The common point regarding the above mentioned economic issues were the timing of the demands from the center countries. In the case of Turkey the center countries did not face much resistance from Turkish policymakers, as the latter did not have much opportunity under Soviet threats. Besides, as they regarded low domestic savings as a major impeding factor for Turkey's development for the sake of participation into the foreign aid regime of the capitalist superpower they agreed on these policy recommendations, adoption of which were

⁶⁶¹Memo for Official Use Only on the Foreign Economic Relations of the US dated May 14, 1954, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Office files of Harry N. Howard, UN Advisor, Bureau of Near Eastern Affairs, South Asian and African Affairs, 1940-52: Informatory Note dated March 16, 1947 from American Ambassador in Ankara to Secretary of State about Finance Minister Kesmir's Statements, RG 59, Department of State, Decimal File.

⁶⁶²Secret Aide Memoir Prepared by American Embassy dated 29 July 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files, 1948-56.

conditioned to Turkey's foreign aid allocations. Yet this was not a perfect timing for exertion of pressure on the peripheral country. Examination of the process shed light on the parallelism between Turkey's economic crisis distinguished by her search for "urgent" foreign capital and intensification of the center countries' pressure. This was the case in 1958 and 1970 crisis as well as the IMF prescriptions. It was again during these vulnerable periods the center countries and international donor agencies pressed for the devaluation of currency. Devaluation of currency was justified by the rationale of increasing the competitiveness of the export goods in the world market.⁶⁶³

Though this could be a possible outcome it did not refer to the other facet related to the devaluation. Devaluation of the currency aggravated the amount of the loans that the country had and reduced the burden of payments that foreign companies made in Turkish currency. Though the first assumption was related to the competitiveness of the exported goods and expansion of the share in the world market remained as a possibility, the second was the automatic outcome of the devaluation decision. Due to the second facet, PM Menderes resisted the 1958 Stabilization Program for a long time. Both in 1958 and 1970 Turkey had to devalue her currency which was a condition for foreign aid. In the first devaluation, the realized devaluation rate was 265 %.⁶⁶⁴

Examination of the responsiveness of Turkish policymakers to these recommendations as well as confrontations on these policy issues is important to reveal the dynamics in the interaction between the superpower and her ally in the periphery of the "free world" bloc.

⁶⁶³see Henry, *The Mediterranean Debt Crescent: Money and Power in Algeria, Egypt, Morocco, Tunisia and Turkey*, 1996; Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, 1991; Krueger, *Foreign Trade Regimes and Economic Development: Turkey*, Volume 1, 1974; Schick and Tonak, ed. *Turkey in Transition: New Perspectives*; Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, 1972; Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, 3: I. Dünya Savaşından 1971'e, 1976; Singer, *The Economic Advance of Turkey: 1938-60*, 1977.

⁶⁶⁴Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, 3: I. Dünya Savaşından 1971'e, p.1406-7.

Responsiveness of Turkish Policymakers:

By abandoning their propagation of foreign aid as a means that served the attainment of industrialization of the country, Turkish policymakers began to question the accuracy of industrialization-led development policy for a resource-scarce country like Turkey the majority of population of whom was involved in agriculture. Similar to the western ideologues of the thought, these policymakers relied their claim on comparative advantage principle. Frequency and tone of these criticisms increased parallel to the intensification of relations with the American diplomats and policymakers. The Prime Ministers announced their giving high priority to agriculture to supply the nation's food needs, provide the required raw materials and operating materials of national industry, reinforcement of foreign currency resources as well as the foundations of the country's economic development. Advocacy of agriculture-led development was to such a degree that Turkish policymakers refused what they advocated less than a decade ago by saying that Turkey's participation in international division of labor as an agricultural country did not mean lasting dependency on advanced countries.⁶⁶⁵

Bayar as the President of Turkey expressed his deep belief on the appropriateness of agriculture-led development for Turkey. He emphasized that this was the thought of the DP also which made them distinctly different from the RPP "which had artificially encouraged the development of industry."⁶⁶⁶ It was very ironic to hear these words from Bayar who in the London Conference of 1933 blamed the center countries for their strategy to keep Turkey as a

⁶⁶⁵18 June 1948, Program of the Second Saka Government; 16 January 1949, Program of Günaltay Government; Journal of TBMM Records, Term VIII, Meeting 3, Volume 16, 21 February 1949, p.342; Journal of TBMM Records, Term 8, Meeting 4, Volume 24, 23 February 1950, p.1111-1112; Journal of TBMM Records, Term 8, Volume 8, Meeting 2, 26 December 1947, 1948 Budget Draft and Budget Commission Report, p.300-301; Press Meeting on January 8, 1934.

⁶⁶⁶Secret Memo of Conversation between McGhee and President Bayar, dated May 15, 1952 sent by Ambassador McGhee to Department of State, RG 84, Foreign Service Posts of the Dept of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

colonial state by advising her to be an agricultural country in the international division of labor. Besides, to claim that any particular party was responsible for this shift was unrealistic. Though by the elections of 14 May 1950 the political actors changed, this did not represent a break in the policy line. Instead the DP governments inherited the agricultural, economic and foreign relations policy from the RPP. In other words, disregarding the governing party in the post-WW2 era, the development strategy would be the agricultural-led one.

The general agreement was not only on the appropriateness of the agriculture-led development but also on “rapid” agricultural mechanization. The assumption beneath this support was that agricultural mechanization led to the relief of the surplus labor force from agriculture for industry. Advocates of this view claimed that unless there was such a relief from agriculture to industry Turkey would never attain her industrialization. Moving from this assumption majority of the Turkish policymakers concluded that the USA had to sell more agricultural machines to Turkey, as this was the fundamental “constructive assistance” to Turkey.⁶⁶⁷ This was an inappropriate assumption for Turkey since Turkey was not a labor-scarce country; on the contrary, a surplus labor force the majority of which were either un- or underemployed distinguished it. Yet, under the existing circumstances this was not questioned or challenged.

Regarding the demands of the USA for an increased role and empowerment of private sector, and without raising explicit objections Turkish policymakers preferred to refer to the previous experiences of the country. They defined the failure of the private sector to act as a locomotive of the Turkish economy during the first decade of the Republic as the main reason

⁶⁶⁷Report entitled as Agricultural Mechanization, dated March 23, 1948, RG 59, Department of State, General Records of the Dept of State, Subject Files.

that led them to adopt etatism. As the founder of the Republic Mustafa Kemal Atatürk stated that Turkish Republic accepted etatism not due to ideological reasons but due to economic obligations. Moreover, Turkish policymakers stated that etatism was not against the interests of the private capital but a factor that served for their better functioning since the public sector provided the required infrastructure for the private sector's flourishing.⁶⁶⁸

Examination of the relation revealed that even the political parties such as DP and JP that had pro-private capital rhetoric did not differ from the pro-public parties in practices. The relatively unchanged nature of investments in private and public sectors could be regarded as a concrete proof of this similarity in policies. In the Turkish context this was explained as the natural outcomes of the tasks to be fulfilled. In contrast to the claim that DP transferred all public institutions to private hands, Turkish policymakers in practice supported a complementary standing between the sectors instead of competition, as the country's resources were scarce and had to be utilized rationally.⁶⁶⁹ This rationale was observable in the programs of the political parties which had either a pro-public and pro-private sector rhetoric.

Following the first contacts with the American officials the governing party of the era, representing the one party era, redefined etatism. Though initial dynamics were also at force for this redefinition, the American officials interpreted this as the sensitivity of the Turkish policymakers to the recommendations of the American Aid Mission. The Mission particularly welcomed limitation of etatism, government support of private enterprise and permission for

⁶⁶⁸Necdet Serin, *Türkiye'nin Sanayileşmesi*, Ankara: Sevinç Matbaası, 1963, p.106, 109-10.

⁶⁶⁹Journal of TBMM Records, Term IX, Meeting 4, Volume 28, I 43, 15 February 1954, p.357-8; Journal of TBMM Records, Term IX, Meeting 3, Volume 20, 26 February 1953, p.1120, 1122, 1125; Journal of TBMM Records, Term 9, Meeting 3, Volume 20/1, 16 February 1953, p.323; *Tasvir*, 26 April 1946, Celal Bayar's Address; Şahin, *Türkiye Ekonomisi*, p.106; Boratav, *Türkiye İktisat Tarihi 1908-1985*; Esirci, *Menderes Diyor Ki*, p.21.

foreign capital to participate in the development of oil resources.⁶⁷⁰ However, the unchanged proportion of the public and private sector in the process reduced the enthusiasm of the Mission. They began to complain of the attitudes of the Turkish governments as they regarded free enterprise as the basis of the capitalist economic system. According to the Chief of Mission, Turkish governments developed delaying tactics in putting high priority on private sector. Complaining of these tactics, he suggested developing countervailing tactics to accelerate the process for a favorable environment for the private sector.⁶⁷¹

Endeavors of the American officials to create favorable conditions were not limited to indigenous private capital but also to foreign capital, particularly to American capital. The US administration was aware of the psychological barriers that Turkey had owing to the Capitulations. Initial statements of the Turkish policymakers reflected their reservations on the question of foreign capital. However, in the process while they withdrew their abstaining stance and adopted a welcoming stance. In this policy change they referred to the immensity of the tasks in contrast to the available limited national resources.⁶⁷²

Pursuit of foreign investors was particularly apparent for the industrialization plan of the country, prepared during the WW2. During the negotiations with Americans diplomats Turkish diplomats underlined the vitality of foreign capitalists for the implementation of plans. In the aftermath of the WW2, in order to increase the attractiveness of the country for

⁶⁷⁰Confidential Memo from Russell Dorr, Chief of Mission to Edward Dickinson Jr., Program Coordination Division ECA and Carter de Paul, Chief, Greek, Turkey Desk, ECA on May 6, 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56, Box 9, Folder: Programs; Restricted Memo on Economic Features of PM's Speech From Herbert S. Bursley, Counselor of Embassy to Secretary of State, RG 59, Department of State, Decimal File, 1945-49.

⁶⁷¹Confidential Memo from Russell Dorr, Chief of Mission to Edward Dickinson Jr., Program Coordination Division ECA, 6 May 1950, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files, 1948-56.

⁶⁷²see Bilsay Kuruç, *Belgelerle Türkiye İktisat Politikası*, 2. Cilt, 1933-5, Siyasal Bilgiler Fakültesi Yayın No: 580, Ankara, 1993; İsmet İnönü, *Hatıralarım*, 2nd Volume, İstanbul: Bilgi Yayınevi, 1987; Ahmet Hamdi Başar, *Atatürk'le Üç Ay ve 1930'dan Sonra Türkiye*, Ankara İktisadi ve Ticari İlimler Akademisi, Ankara, 1981.

the foreign capital, Turkish governments made and enacted new legal arrangements to encourage foreign capital by giving permission for the transferability of the profits out of the country. This was the issue which was long raised since a long time and pressed by the center countries and defined as a factor that increased the attractiveness of the country for foreign investments. In line with the recommendations of the American officials, in late 40s Turkish governments worked for the establishment of Turkish Industry and Development Bank. The Bank was established in 1950 with the participation of IBRD for the establishment of private industry and promotion of foreign and national capital's contribution to national industry.⁶⁷³

Liberalization of the foreign trade regime that the superpower defined as a basis for the empowerment of the capitalist system, however, received less responsiveness from the Turkish policymakers. Except for the brief period of 1950-53, other two liberalized regime periods (1958-62, 1970-3) coincided with the economic crisis of Turkey and were adopted by Turkish policymakers after considerable resistance.

By the recommendation of the center countries Turkish government liberalized the foreign trade regime between 1950-3. Yet, even during this period of liberalization, the tariff structure established previously was not changed. But the difference that made the foreign trade regime a liberal one was the exclusion of consumer goods from import restrictions. Previously only the capital goods were excluded from the import restrictions. In order to enable flexibility in the regime most of the goods were on a "liberalized" list for which licenses were automatically granted.⁶⁷⁴

⁶⁷³Report on Turkey's Industrialization Plan dated March 23, 1948, RG 59, Department of State, General Records of the Department of State, Subject Files related to Turkey 1943-49; Restricted Memo on Economic Features of PM's Speech From Herbert S. Bursley, Counselor of Embassy to Secretary of State, RG 59, Department of State, Decimal File, 1945-49, Box 420, August 16, 1946; Eroğul, *Demokrat Parti: Tarihi ve İdeolojisi*, p. 69.

⁶⁷⁴Krueger, *Foreign Trade Regimes and Economic Development: Turkey*, p.20; Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.339.

Initially the DP government was proud of this fairly liberalized foreign trade regime and regarded it as a matter of prestige. In February 1952 the Minister of Economy and Trade supported liberalized foreign trade regime in an address that he delivered in the Parliament. He claimed that liberalization policy had positive outcomes on Turkish economy such as increase of exportation. He expressed his pride by referring to other countries including France, England and Germany who began to put restrictions on their foreign trade regime at that time. The Minister claimed that in contrast to these countries Turkey still benefited from this liberalized regime. He expressed his hope as to close the gap in the balance of payments of the country in the successive months via this liberalized foreign trade regime.⁶⁷⁵

Yet the process nullified his expectations since instead of closing, the deficit of balance of payments widened. As a result of the excessive importation of consumer goods Turkey's foreign exchange reserves were depleted. As the volume of import obligations exceeded the Central Bank's foreign exchange resources, Turkey's chronic foreign trade deficit began to grow out of control. In the face of this, the Turkish government, by degrees, removed liberalization. In April 1953 the liberalized foreign trade regime that lasted three years was totally abandoned officially.⁶⁷⁶

The new trade regime was put into force in September 1953. It had more restrictive measures than the foreign trade regime put into effect previously since import restrictions included the capital goods also. This trade regime lasted until the 1958 IMF Stabilization Program. The government did not attain what it expected from this restrictive trade regime to a great extent. The objective of increasing the foreign exchange reserves was not possible owing to the

⁶⁷⁵Parliamentary Address of the Minister of Economy and Trade Muhlis Ete, Journal of TBMM Records, Term 9, Volume 18, Meeting 2, 27 February 1952, p.1054.

⁶⁷⁶Schick and Tonak, "The International Dimension: Trade, Aid, and Debt" in Schick and Tonak ed., Turkey in Transition: New Perspectives, p.340; Hansen, The Political Economy of Poverty, Equity and Growth: Egypt and Turkey, p.337; Singer, The Economic Advance of Turkey: 1938-60, p.385-6.

uncoordinated activities of the government and unsustained nature of the industrial production without importation. Under these conditions these remedies did not much serve the improvement of the situation. Instead following this date up to the 1958 IMF Stabilization Program, Turkey faced very serious foreign exchange shortage that affected the main sectors of the economy. By the time of the Stabilization Program, Turkey was the first country to overdraw its IMF quota, and the first to request extensions when payments were due.⁶⁷⁷

The Turkish government accepted the IMF Stabilization Program in 1958 after the government's long resistance to this Package. Turkey was compelled to adopt this by the fundamental strategy of the center countries and international agencies during the vulnerable times of the aid recipient countries. While donor countries minimized the foreign aid and conditioned its increase or extension to the adoption of IMF prescriptions⁶⁷⁸, IMF suspended aid. Under these circumstances Turkish government had to accept the 1958 IMF Stabilization Program to which it resisted for a long time. In the scope of this stabilization program Turkey liberalized her foreign trade regime and devalued her currency. Like the other measures of the Stabilization Program this was adherently implemented for one year, then was neglected by the Turkish government. This lasted until the military coup of 1960 when the military administration announced its devotion to the measures and abolished some of policies that put some restrictions on foreign trade regime.⁶⁷⁹

⁶⁷⁷Schick and Tonak, "The International Dimension: Trade, Aid, and Debt" in Schick and Tonak ed., *Turkey in Transition: New Perspectives*, p.341-2; Krueger, *Foreign Trade Regimes and Economic Development: Turkey*, p. 30-1; Tuncer, "External Financing of the Turkish Economy and Its Foreign Policy Implications" in Karpas, *Turkey's Foreign Policy in Transition, 1950-74*, p.213; Singer, *The Economic Advance of Turkey:1938-60*, p.340, 386; Hansen, *The Political Economy of Poverty, Equity and Growth: Egypt and Turkey*, p.337.

⁶⁷⁸For Bayar and Zorlu's Unsuccessful Attempts in Germany see Confidential Telegram from American Embassy in Bonn to Sect of State, June 7, 1958, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

⁶⁷⁹Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, 3: I. Dünya Savaşından 1971'e, p.1422; Schick and Tonak, "The International Dimension: Trade, Aid, and Debt" in Schick and Tonak ed., *Turkey in Transition: New Perspectives*, p.347-8.

This liberalized foreign trade regime lasted until 1963 when the civilian governments faced foreign exchange shortage. In 1963 and 64 the government reduced the number of items on the Liberalized List, tightened quotas, raised guarantee deposit requirements and imposed some other measures to control the flood of imports. In the following years, more steps were taken to tighten the import regime. Yet the dilemma of Turkey was the fact that whatever the nature of the foreign trade regime was, due to the ISI attempts the country's need for imported goods increasingly continued. This restrictive foreign trade regime that indicated the total abolition of measures of the 1958 Stabilization program continued until 1970 when Turkey had to accept the second stabilization program with the same unchanged components.⁶⁸⁰

Following the acceptance of 1970 Stabilization Program, Turkish government had to devalue the currency and liberalize the foreign trade regime. The government had to either relax or remove the policies that it developed in mid-60s, for three years from 1970-3. This covered reduction of the stamp tax from 25 % to 10 % and sharp decrease of the guarantee deposit requirements.⁶⁸¹

Examination of the responsiveness of Turkish policymakers, distinguished by its fluctuating tone, revealed that they were not in full conformity with the center countries on economic issues. Turkish policymakers did not miss opportunities to pursue policies that they desired, which were contrary to the expectations and strategic interests of the center countries. The superpower and her ally in the periphery of the "free world" bloc had serious confrontations on the above-mentioned economic issues, particularly when the latter suffered from the negative impacts of the policy suggestions of the center countries.

⁶⁸⁰Krueger, Foreign Trade Regimes and Economic Development: Turkey, p.24; Yerasimos, Azgelişmişlik Sürecinde Türkiye, 3: I. Dünya Savaşından 1971'e, p.1422.

⁶⁸¹Krueger, Foreign Trade Regimes and Economic Development: Turkey, p.25; Hansen, The Political Economy of Poverty, Equity and Growth: Egypt and Turkey, p. 340.

Regarding the confrontations of the USA and Turkey on the locomotive sector, Harris claims that Turkish critics were bitter towards the US due to agriculture-led development policy, as this was a direct challenge to the philosophy of etatism, as well as industrialization of the country. Though this was an accurate diagnosis Harris' claim is in contradiction with the primary sources concerning the timing of the confrontation. In contrast to his claim that these criticisms had a bitter tone in the long run⁶⁸², the primary sources indicate that they emerged as severe criticisms in the short-run, even in a few years time following the adoption of the agriculture-led development strategy.

First of all, the agriculture-led development strategy did not receive hundred-percent support among the MPs. Instead in both parties there were MPs who insisted on the industrialization-led development strategy. However under the prevailing circumstances explicit statement of this or any attempt to challenge the adopted development strategy was not an easy task. Yet the breaking point on the issue was Turkey's increasing deficit in the balance of payments and indebtedness. In the face of increasing economic problems that affected all sectors of economy, the MPs began to question Turkey's stance in the international division of labor. Turkey's disadvantageous stance in the world order, like other agricultural countries, were explained by referring to the disproportion in the price increases of the exported and imported goods. They concluded that due to this disproportional increase in the prices of the imported goods vis-à-vis the exported goods the agricultural countries became the losers. From the price increases in exported and imported goods the MPs calculated that only in a decade at the end of 50s Turkey's loss was \$ 900 million.⁶⁸³

⁶⁸²Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.35.

⁶⁸³Journal of TBMM Records, Term VIII, Meeting 3, Volume 16, 26 February 1949; Journal of TBMM Records, Term 2, Meeting 1, Volume 2, 14 February 1966, p. 772.

Another disadvantageous aspect was related to the size of the market for the agricultural countries. In contrast to the industrial countries, the agricultural countries had to share a relatively stagnant and vulnerable market. Yet the center countries challenged the share of the agricultural countries in the world market by exporting agricultural goods. As a concrete proof they referred to the International Wheat Agreement of 1949 that obligated the wheat/cereal importing countries of the ERP to purchase wheat from the US, Canada and Australia, within the lines of the agreement, to the extent of 60-70 % of their total estimated needs.⁶⁸⁴ The PL 480 was another example of this sort of challenge. This meant that the agricultural countries did not enjoy an extensive market but had to compete for the market left over the advanced countries.

Moving from these trends against the interests of the agricultural countries, these critics directly blame the US since it was the USA that encouraged Turkey's agricultural expansion and also made agriculture the locomotive sector of the development process.⁶⁸⁵ As a further step there was nearly a consensus on the necessity of industrialization-led development. Without referring to which stage of industrialization, some equated industrialization with development as well as its being a rescue from starvation⁶⁸⁶, some defined it as the sole only way of getting rid of Turkey's backwardness⁶⁸⁷, and some defined this with special reference to the feeding ability of the countries. These debates led to the conclusion that Turkey's sole

⁶⁸⁴Memo on Economic Development in Turkey from American Embassy in Ankara to the State Department, April 11, 1956, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Director and Administrative Services Division, Communications and Records Unit, Geographic Files, 1950-56.

⁶⁸⁵Memo on Economic Development in Turkey from American Embassy in Ankara to the State Department, April 11, 1956, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Director and Administrative Services Division, Communications and Records Unit, Geographic Files, 1950-56.

⁶⁸⁶Journal of TBMM Records, Term 2, Meeting 1, Volume 4, Ministry of Industry Budget Debates, 22 February 1966.

⁶⁸⁷Ibid.

means to attain self-sufficiency was industrialization as only industrialized countries were able to feed themselves in contrast to the starving agricultural countries.⁶⁸⁸

It was after this questioning and self-criticism that Turkey attempted to develop some heavy industry plants by receiving the USSR aid. As the PM of the era Suleyman Demirel stated, the JP continued the industrialization drive “despite those outside us”. Referring to the refusal of the Western countries to finance some very crucial industrial projects and Turkey’s collaboration with the socialist USSR, Demirel pointed out the continuity in the recommendations of the Western experts. Defining the Barker Report as a milestone and a reference paper for the western experts, Demirel summed up the recommendations related to industry as establishing small-scale industrial facilities for processing agricultural products, without getting much involved in heavy industry. The last had been justified since late 1940s as not being overambitious as well as not exceeding her capacity. When the Turkish authorities appealed for the finance of the refineries that they regarded as top priority for the industrialization drive of the country with respect to its increasing energy need for industrial facilities, the western countries declined this appeal on grounds that Turkey lacked repayment ability.⁶⁸⁹

Regarding the creation of pro-private capital environment Turkish policymakers and the western experts and donors had an ironical confrontation when the latter asked for planned development. Evaluating the uncoordinated and unplanned expenditures of the governments, western donors suggested planned development and establishment of a planning organization. Though they recommended this as a means to promote a favorable environment for the

⁶⁸⁸Journal of TBMM Records, Term 2, Meeting I, Volume 1, 8 November 1965, Debate on the Government Program.

⁶⁸⁹ Interview with Suleyman Demirel, 11 August 2001.

private capital, parties, that had a pro-private capital stance, rebuffed the idea on grounds that planning had totalitarian connotations as it was the invention of “the iron curtain”. While the DP resisted the idea, later on, under the military rule Turkey adopted planned development. The JP which claimed to be the successor of the DP explicitly expressed its discontent by the planned development idea⁶⁹⁰ and devised strategies to demean the idea of planning.

As the other dimension of the private capital, the USA put high priority on the promotion of a favorable environment for foreign private capital. When the American officials referred to the State of Department’s sensitivity and interest on the issue of promotion of favorable environment for the foreign capital in 50s, Turkish policymakers pointed out the endeavors to make the country attractive for the foreign private capital. Yet they did not hesitate to criticize the priority fields of the foreign private capital. In contrast to the justification of the superpower regarding the possible benefits of the private capital, Turkish policymakers expressed their anxiety about this possibility, as the foreign private capital preferred sectors which offered the highest immediate returns rather than sectors contributing to the long-run development of the country.⁶⁹¹

⁶⁹⁰Journal of TBMM Records, Term X, Meeting 2, Volume 10, 21 February 1956, p. 394; Journal of TBMM Records, Term 2, Volume 13, Meeting 2, 16 February 1967, 1967 Budget Draft Debates, p.202; Secret Report on the Mutual Security Program in Turkey by Roger S. Nelson & Frank A. Ecker, Bureau of the Budget, July 1957, RG 59, Department of State, General Records of the Department of State, Subject Files Related to Turkey 1947-58, Box 4, Folder: Report on Mutual Security Program; Confidential Air Pouch from Stanley Clark, American Embassy in Ankara to Department of State, Human Resources for Economic Development, February 26, 1958, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified Subject Files 1950-52, Box 11, Folder: Economic Aid, Turkey: General; Secret Memo from American Embassy to William M. Rountree (NEA), William Bexter (GTI), January 11, 1956 on Present Status of the Turkish American Situation, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files Relating to Turkey, 1947-58, Box 3; Journal of TBMM Records, Term 2, Meeting I, Volume 1, 8 November 1965, Debate on The Submitted Government Program, p. 211; Journal of TBMM Records, Term 2, Meeting 1, Volume 4, 25 February 1966, Budget Debates of Finance Ministry; Hershlag, Economic Planning in Turkey, p.2.

⁶⁹¹Memo of Conversation Between Fatin Zorlu, Assistant Secretary of Turkish Ministry of Foreign Affairs in Charge of Economic Affairs, Nihat Alpar, Financial Counselor Turkish Embassy, Willard Thorp, Assistant Secretary for Economic Affairs, 6 April, 1950, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Filers Relating to Turkey, 1932-51.

Criticisms of this sort were intensified in the process. One of the most debated policies about the foreign private capital was the transferability of the profits since by this “concession” the foreign private capital not only served the distortion of the priorities of the economic development but also caused a depletion of the foreign exchange reserves of the country. The High Planning Organization also referred to the advantageous position of the foreign private capital in Turkey by stating that Turkey was a “of sweet profits” country for the foreign capital. Critics state that in contrast to the claim that foreign capital served the development of the country, as the Turkey’s experience revealed, it became a method of “neo-exploitation.”⁶⁹²

However, the fact was that due to the institutionalized interests within the country supported by various mechanisms, such as pressure of the donors including conditions to work with the companies of the donor country⁶⁹³ and suspension of foreign aid, it was not an easy task for the Turkish policymakers to challenge the stance of the foreign private capital in the country. Foreign instance, in the face of criticisms regarding the high costs of the American firm in constructing a plant while there were companies which could have handled the task cheaper, a high rank bureaucrat expressed that they had no other option, instead they were “obliged” to give the tender to the American firm.⁶⁹⁴ Besides, various circles preserved the belief that foreign capital was required for the development of the country.

The debate on the liberalization of foreign trade regime also led to various confrontations between the USA and Turkey. When Turkey faced the negative impacts of 1950-3 liberalized foreign trade regime, including depletion of foreign exchange reserves and growing deficit in the balance of payments, the Turkish government abandoned the overoptimistic tone that they

⁶⁹²Journal of TBMM Records, Term 2, Meeting 1, Volume 4, 22 February 1966; Journal of TBMM Records, Term 3, Meeting 1, Volume 1, 10 November 1969, p.107; Journal of TBMM Records, Term 3, Meeting 1, Volume 1, 10 November 1969, p.131.

⁶⁹³Journal of TBMM Records, Term 2, Meeting 2, Volume 16, 14 April 1967, p.160.

⁶⁹⁴Ibid.; Journal of TBMM Records, Term II, Meeting 2, Volume 14, 21 February 1967, p. 17.

had in 1952 and directly accused the USA for the problems that the country faced since it was the USA who encouraged, and even forced Turkey to adopt a liberal foreign trade regime.⁶⁹⁵ In contrast to the expectations of the center countries, by 1954 all imports in Turkey had to have importer's certificates and their annual imports were limited to their highest annual imports of the years 1948 to 1953. This system was further tightened and modified in mid-1955. By the end of that year the decision was that the Ministry of Finance and the Minister of Economy and Commerce had to be the bodies to determine the import needs of the private and public sectors and decide on their foreign exchange allocations. In the process, the government gradually became the sole importer of a variety of raw materials and other goods.⁶⁹⁶

In the midst of problems aggravated by liberalized foreign trade regime Turkish government of the era refused until the last moment to accept the 1958 IMF Stabilization Program by referring to the exhausted foreign exchange reserves. Yet when donor countries and the international agency circumscribed the Turkish policymakers through suspension of foreign aid, they had to accept liberalization of the foreign trade regime once more in 1958. This reaction was not peculiar to the policymakers of the era. Instead the process witnessed the repetition of this resistance when in late 60s Turkey once more faced the increased pressures of the center countries regarding the issue.

As a conclusion, as the examination of the process reveals even when the relation between the USA and Turkey was at its heyday in the most intense Cold War period, there were confrontations on the basic economic issues. In contrast to the over-confidence that Turkish

⁶⁹⁵Confidential Informal Record of Meeting with the Secretary and Undersecretary on Turkey's Loan Request and General Economic Conditions, April 29, 1955, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

⁶⁹⁶Krueger, *Foreign Trade Regimes and Economic Development: Turkey*, p. 36-7.

policymakers had in Turkey's superpower ally in the initial years of the alliance, by the lapse of time, in the face of increasing problems due to the superpower's recommendations, criticisms and confrontations intensified. The US administration, on the other hand, regarded this critical tone of the Turkish policymakers as "astonishing". They defined the sordid relations on economic issues as Turkey's adamant refusal of making basic economic reforms that would serve her economic viability despite strong US urgings for these. In the terminology of the American officials the greatest problem that they faced in Turkey was that top Turkish political leadership did not speak the economic language of the USA and resented efforts and suggestions of American diplomats to improve the existing conditions. These diplomats defined the task before the US regarding Turkey as a difficult one. In contrast to the economic issues, however, she had cooperated wholeheartedly with the USA in political and military fields and gave valuable assistance in both fields.⁶⁹⁷

This American viewpoint reflected the harmony between the allies in diplomatic and military fields despite the problematic nature of relations in economic issues. Yet examination of the relations between the two reveal that the harmony in diplomacy was true until mid-60s after, which diplomatic relations was also became sordid between the superpower and its peripheral ally. The next concern is the interaction of the USA and Turkey on diplomatic issues.

b. Turkey-USA Alliance: Diplomatic Relations

Turkey's full association with the Western Bloc through foreign aid was in fact indicated in its association with the Western countries in diplomacy. This portrayed a total break from the

⁶⁹⁷Secret Report on the Mutual Security Program in Turkey prepared by Roger S. Nelson & Frank A. Ecker, Bureau of the Budget, July 1957, RG 59, Department of State, General Records of the Department of State, Subject Files Related to Turkey 1947-58, Box 4; Confidential Economic Review, Turkey prepared by American Embassy in Ankara on November 26, 1954, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1953-54, Box 65; Secret Telegram on Memorandum of Conversation with Menderes from Warren to Department of State, April 11, 1955, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

foreign policy line of the pre-war era the main lines of which were determined by Atatürk. The break was due to the abandonment of the neutralist policy line. In the post-WW2 era, Turkey became an active partner of the Western Bloc in international conflicts. Turkish policymakers expressed the pro-Western foreign policy line in the immediate aftermath of WW2. In contrast to the wartime assumptions regarding Britain's being the center of gravity in the western world⁶⁹⁸, under the existing circumstances Turkey based her foreign policy on Turco-American alliance.

An accurate analysis of the foreign policy of Turkey in the post-WW2 era, which developed in the axis of Turco-American alliance, necessitates periodization. The first period covers late 40s to mid-60s when, despite the differences on economic issues, Turkey was a devoted ally of the USA in foreign policy. By the emergence of the Cyprus problem, as well as the increasing need for finding foreign markets for the industrial capital, however, a differentiation occurred and Turkey began to pursue a multilateral foreign policy line, without conceding its position as a member of the Western Bloc. This comprised the second period in Turkey's foreign policy in the post-WW2 era. While the distinguishing feature of the first was unidimensionality, multilateralism distinguished the latter.

⁶⁹⁸14 August 1946, Program of Recep Peker Government.

First Period (late 40s to mid-60)

The first period in the USA-Turkey relations were distinguished by “blind” solidarity of Turkey to the cause of the “free world” bloc. Identifying its interests with the western countries, particularly with the USA, Turkey adopted a unidimensional foreign policy. It was in this era Turkey institutionalized its relations with the West in diplomacy through participating in military and regional pacts. Examination of the period reveal the US-centric policy line in diplomacy in contrast to the confrontations on economic issues.

The US-centric orientation of the foreign policy shaped the course of events in the first period. There were numerous cases when Turkey put her interests at stake without questioning the national benefit. In the UN resolutions Turkey acted in accordance with the superpower’s expectations. In that respect the shift in the relations with the Arab and non-aligned countries is worth to examine as it stands as a perfect example of the US-centric foreign policy line.

Relation of Turkey & Arab Countries: The first observable change in Turco-Arab relations parallel to Turkey’s participation in the free world bloc was Turkey’s position on the Palestinian question. Until 1948 Turkey supported the Arab side in the question of Palestinian partition in UN voting. However, she changed her policy regarding Arab issues when her relations with the Western Bloc began to develop. Turkey became the first Muslim country that recognized Israel on 28 March 1949.⁶⁹⁹

By 1949, the RPP administration held the belief that development of relations with the Arab countries would not be beneficial for Turkey as the Arabs lacked solidarity, even among

⁶⁹⁹Ömer Kürkçüoğlu, *Türkiye’nin Arap Ortadoğu’suna Karşı Politikası (1945-70)*, Ankara: Sevinç Matbaası, 1972, p.19, 21, 25,32.

themselves. More than this, however, ruling circles of the RPP grounded Turkey's indifference to Arab as well as Asian countries on Turkey's being a European country. This obsessive idea became an official announcement while Turkey refused to participate in the first Asian Conference of 1949 to discuss the situation of Indonesia. As the only country that refused to participate in this Conference, the RPP government sent a message to the Conference, where it emphasized that though Turkey was very much interested in Indonesian problem as Turkey was a European country she did not have the right to participate in this Conference. The Turkish policymakers did not even send an observer to the Conference.⁷⁰⁰

Another example of this sort was Turkey's indifference to the arrangements of Islamic conferences. In 1949 and early 1950 Turkey acted as a country that did not want to be identified as the motivating force behind the Islamic Economic Conference. While in Karachi its participation was limited to an observer and three "private delegates" from the Istanbul Chamber of Commerce, at Tehran it was limited to one observer only. Turkish policymakers grounded this aloofness on their strong opposition to any economic "agglomeration" based on religious or racial groupings.⁷⁰¹

In fact this indifferent attitude was parallel to the Turkish policy of "deliberate dissociation" from the Eastern world since the 20s. The main motive of this dissociation was explained with respect to the westernized Turkish policymakers' desire to be differentiated in Western eyes from the "backward" Arabs.⁷⁰² However, by 50s this policy line of the RPP was criticized and rebuffed, as it did not serve the envisioned future for Turkey in the Middle East. In contrast to

⁷⁰⁰Hüseyin Bağcı, *Demokrat Parti Dönemi Dış Politikası*, Ankara: İmge Yayınevi, 1990, p.13, 44, 46, 48.

⁷⁰¹A Secret General Document Entitled As "Means of Achieving Broader Inter-Regional Cooperation", February 5, 1951, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50.

⁷⁰²Confidential Memo on Turkey and the Middle East States from Warwick Perkins, Charge d'Affairs ad Interim to Secretary of State, April 22, 1950, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records, 1950-52.

this, consistent with the role that the US assigned to her small ally in regional politics, Turkey had to adopt an activist policy line regarding the Arab countries. Critical of the previous governments' indifference to Arabs,⁷⁰³ Turkish policymakers of the era envisioned leadership for Turkey in the Middle East politics. Without weakening the rhetoric that Turkey was a European country, the role of Turkey in her dealings with the Arab countries was defined as an interest of a Western country located geographically in the Middle East, in eastern affairs⁷⁰⁴

Turkish policymakers were enthusiastic to receive the support of the US for Turkey's leadership in the region, as they believed that Turkey was the natural leader in the Mediterranean due to her geopolitical position.⁷⁰⁵ The US officials' statements regarding Turkey's natural leadership among the Arab countries and policy suggestions to develop mechanisms that assured this leadership fostered this belief. The US administration advised Turkish policymakers to follow a good neighborhood policy in the region. In a conversation, American Ambassador to Turkey, McGhee, suggested that in the Middle East Turkey might well pursue a Good Neighborhood Policy for her own interests, similar to the one that the USA pursued in Latin America. McGhee claimed that Turkey was a natural leader in the Middle East due to her historical position, military strength, political stability, economic development and membership in NATO.⁷⁰⁶

The Ambassador continued his interesting suggestions by saying that although some of the Arab states contained important oil reserves and land that could be developed through

⁷⁰³ Özdağ, Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali, p. 45.

⁷⁰⁴ Bağcı, Demokrat Parti Dönemi Dış Politikası, p.13, 41, 44, 54.

⁷⁰⁵ see Bağcı, Demokrat Parti Dönemi Dış Politikası.

⁷⁰⁶ Secret-Memo of Conversation Between McGhee and President Bayar, 15 May 1952, From McGhee, Ambassador to the Department of State, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52; George McGhee, USA-Turkey-NATO-Middle East, p.189.

irrigation none had land resources, sufficiently varied mineral resources or political or social stability required to develop a powerful modern state. He concluded that due to these lacking aspects in case that Turkey continued to develop as she started and “stood head and shoulders above the other Middle East states”, she would be the unquestionable leader in the region. Turkish policymakers were receptive to this scenario by indicating the necessity of basing Turkey’s foreign policy on Turkey’s leadership in the Middle East. Rather than deep-rooted factors, they defined Turkey’s neglect of the Middle East in recent years while strengthening its ties with the West as the cause of Turkey’s relative weakness in the region.⁷⁰⁷

Unjustified nature of these advises, however, can be observed from the field reports of the American diplomats sent to the region to convey a research on the reactions of the Arab countries for Turkey’s leadership in the region. Though recent position of Turkey on the Palestinian question was a hallmark, there were deep-rooted factors that challenged the assumed leadership of Turkey in the region including historical background, anxiety for the possibility of expansionist policies shaped by territorial ambitions, condemnation of Turkey’s attitude towards religion, her Western alliance that made her a country “on the other side”, and prevailing anti-colonial and anti-western feelings among the Arab countries. The Arabs identified Turkey as an advanced force for the western countries particularly due to the USA’s support for Turkey. Criticizing this as a policy that upset the balance of power in the region in favor of Turkey, the Arab countries also questioned their neglect by the USA in terms of military equipment.⁷⁰⁸

⁷⁰⁷ibid.

⁷⁰⁸Secret Information Memo from Raymond A. Hare to George C. McGhee, American Ambassador, Ankara, October 28, 1952, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52; Secret Memo from D.S. Roysdon, Chief, JAMMAT Plans Group to Chief JAMMAT, May 5, 1951, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52; A Secret Document Entitled As “Means of Achieving Broader Inter-Regional Cooperation”, dated Feb 5, 1951, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50.

These factors shed light to the failure, even backfire of the defense pact attempts in the region such as the Middle East Command and Baghdad Pact. Attempts to establish regional defense organizations commenced with the initiatives of the Western countries in the framework of policy of containment. During 50s, the Western Bloc had attempted to establish various Middle East defense organizations.⁷⁰⁹

The initial idea was to establish a Mediterranean Pact consisting of Turkey, Greece, Iran, Britain, the USA and later on Pakistan. Another idea was the establishment of a Middle East Command and the Middle East Defense Organization. To this end, American and British policymakers invited Turkey and Egypt to lead the formation of these two pacts in 1951. The expected outcome of these organizations was the preservation of the Western military position in the Suez Canal. In essence this project would have served first to the strategic interests of the UK in the region, which aimed to preserve its existence in the Suez Canal zone. However, as this contradicted with the national priorities of Egypt who wanted to terminate British authority on the Suez Canal this initiative ended unsuccessfully when Egypt rejected the idea of the Middle East Command. Following Nasser's coup in 1952 Egypt moved towards neutralism and, by degree, towards alignment with Moscow.⁷¹⁰

Among these endeavors, the Baghdad Pact differed from the others as it did not remain on paper but was realized to an extent, yet with unpromising outcomes. In 50s, Turkey based her

⁷⁰⁹1951 NSC Statements in Dore Gold, "Toward the Carter Doctrine: The Evolution of American Power Projection Policies in the Middle East, 1947 – 1980" quoted in Steven L. Spiegel, Mark A. Heller, Jacob Goldberg, ed., *The Soviet-American Competition in the Middle East*, Washington D.C.: D.C. Heath and Company, 1988, p.115.

⁷¹⁰A Secret Document Entitled As "Means of Achieving Broader Inter-Regional Cooperation", February 5, 1951, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50; Dankwart A. Rustow, *Turkey: America's Forgotten Ally*, New York: Council on Foreign Relations, 1987, p.91-2; Kürkçüoğlu, *Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70)*, p.34, 45; Rouhollah K. Ramazani, *The Northern Tier: Afghanistan, Iran and Turkey*, New Jersey: Princeton, 1966, p.117; İbrahim Barutçuoğlu, "Evolution of Turkey's Security Role in the Middle East" in George S. Harris, ed. *The Middle East in Turkish-American Relations*, Report of a Heritage Foundation Conference on October 3-4, 1984, Washington, D.C, 1985, p.61.

foreign policy in the Middle East in line with the Baghdad Pact. Established by great expectations by the support of the USA and Britain, this Pact symbolized Menderes' great desire to make Turkey the leader in the Middle East. The assumption was that by such a Pact the Arab nations would be united against the Communist aggression under the leadership of Turkey, which sought to implement Washington's conception of a defense of the Middle East's northern tier till 1954. To this end, she commenced negotiations with various Arab countries as well as Pakistan. These negotiations ended with various agreements. First of these was signed between Turkey and Iraq on 24 February 1955. While the UK was the third country that participated in the Pact on April 4, 1955 Pakistan whose consideration was India rather than the USSR, joined the Pact on 23 September.⁷¹¹ The last participant was Iran who signed the agreement on 3 November 1955.

Though the Turkish policymakers welcomed these agreements as a good start, the process revealed overoptimism of these views as well as an orthodox understanding that shaped the Baghdad Pact, which undermined the existing deep-rooted anti-Western feelings among the Arab nations. The Pact backfired as it strengthened the Arab nationalism and Arab countries' inclination towards the USSR⁷¹² to preserve the balance of power in the region.

Both Turkey and Iraq faced increased hostility of the Arab world due to their leading position in this Western scenario for the region. Following Iraq's agreement with Turkey, the Arab union under Egypt's leadership declared that none of the Arab countries would cooperate with Turkey except Iraq. In this initiative, Egypt supported the view that cooperation with Turkey

⁷¹¹Ramazani, *The Northern Tier: Afghanistan, Iran and Turkey*, p.118

⁷¹²Secret Information Memo from Raymond A. Hare to George C. McGhee, American Ambassador, Ankara, October 28, 1952, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1950-52; John Campbell, *Defense of the Middle East: Problems of American Policy*, New York: Harper & Brothers, 1960, p.62.

meant cooperation with Europe, which also meant an indirect cooperation with Israel.⁷¹³ These developments were astonishing for the Turkish policymakers who failed to interpret the regional dynamics and assumed that the Arab countries would unconditionally support the Pact against the communist threats.

Appraisal of the Pact with respect to its outcomes in the region reveals that it bore consequences contrary to the expectations of the USA and Turkey. First, except Iraq, these members belonged to the non-Arab part of the Middle East. The Pact increased the tensions in the region and led to a blocization among the Arab countries, namely Egypt, Syria and Saudi Arabia. More than anything else the Pact served the isolation of Iraq in the Arab world. Besides, it caused further estrangement of the Arab nationalists from the West and Turkey. Egypt expressed its opposition by forming a security pact with Syria and Yemen. It also directed its anti-imperialist propaganda against the Baghdad Pact countries, particularly to Turkey and Pakistan. The Arab nations led by Nasserist Egypt moved closer to the USSR and this strengthened the USSR's position in this strategic region.⁷¹⁴

Appraisal of the situation from Turkey's viewpoint also reveals unsatisfying outcomes. The DP governments, under the auspices of her superpower ally, based her Middle East policy on this Pact. The envisaged outcome was defined as a unified Middle East against Communist threat under the leadership of pro-western Turkey. However, due to above mentioned factors the envisaged outcome was far away from being realized. As Harris points out, more than anything else, the Baghdad Pact fueled the Turkish confrontation with the USSR.⁷¹⁵

⁷¹³Kürkçüoğlu, Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70), p.62.

⁷¹⁴ibid., p.65-6; Barutçuoğlu, "Evolution of Turkey's Security Role in the Middle East", p.62.

⁷¹⁵Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective*, 1945-71, p.63.

This initiative had also far-fetching consequences for Iraq. The rulers who signed the agreement were toppled by a Revolution that had a wide support among the Iraqi public as the Baghdad Pact was regarded as being against the national interests of the country. Owing to the timing of the Pact it was regarded as pro-British to assure the existence of her bases in Iraq, whose right on the bases expired in a short while.⁷¹⁶ This Revolution, on the other hand, had important implications in the context of the Cold War. The new administration in Iraq justified the Revolution by referring to the pro-western policy of the previous administration. Rejecting this policy line, the new administration adopted a nationalist Arab policy. The new Iraqi administration announced that they established a Republican administration which protected national unity, established brotherhood relations with other Arab countries and was devoted to all commitments that were consistent with Bandung Conference decisions and the UN agreement. The main objective of their policy line was defined as serving the interests of Iraq.⁷¹⁷ Therefore, Iraq, the only Arab country that “betrayed” the cause of the Arabs, was put into order by the Revolution.

This Revolution also indicated the end of the Baghdad Pact, which meant failure of the basis of Turkey’s Middle Eastern foreign policy. Even though the new administration declared Iraq’s decision to remain in the Pact, this turned to be a tactical move since in a year’s time the new administration declared the country’s withdrawal from it. On 24 March 1959, Iraq announced its withdrawal from the Baghdad Pact membership. After this withdrawal, the Baghdad Pact was dissolved and a new organization, the Central Treaty Organization (CENTO) was formed. CENTO as an organization was far from meeting the expectations. It functioned as a forum for regular high-level contact and served as an umbrella for a small

⁷¹⁶Bekir Tünay, Menderes Devri Anıları: Gördüklerim, Bildiklerim, Duyduklarım, İstanbul:Nilüfer Yayıncılık,1986, p.258; Bağcı, Demokrat Parti Dönemi Dış Politikası, p.68; Ramazani, The Northern Tier: Afghanistan, Iran and Turkey, p.118.

⁷¹⁷Kürkçüoğlu, Türkiye’nin Arap Ortadoğu’suna Karşı Politikası (1945-70), p.122-3.

amount of economic assistance. In the sphere of military cooperation, which was its chief *raison d'être*, CENTO never fulfilled its promise as it lacked regularly constituted forces.⁷¹⁸

In the face of these developments in the region, Turkey first adopted a harsh policy line against Iraq's new administration. The policy makers regarded the revolution as the intervention of hostile external forces into the domestic affairs of a friendly country. One of the widely circulated rumors was the possibility of Turkey's military intervention to Iraq after the revolution, which was prevented by the USA and the UK. Later Turkey adopted a softer policy line parallel to the policy line of the western countries and recognized the new administration in Iraq on 31 July 1958.⁷¹⁹ The harsh attitude of Turkey becomes meaningful when the Revolution is appraised in the context of Turkey's claim to be a leader country in the region. This Revolution was a direct challenge to the Middle East policy of Turkey. By the loss of Iraq, Turkish PM's dream of being a leader in the Middle East also ended. In fact, by this ousting of Iraqi monarchy in July 1958 Turkey was left friendless in the Arab world⁷²⁰ as revealed in the simultaneous events in the region.

The Turco-Syrian Crisis of 1957 was the direct confrontation of Turkey and the Arab world. Though this crisis commenced as a problem between Syria and Jordan, when Syria expelled three American diplomats from the country on 13 August 1957 on grounds that they acted to oust the existing regime, it led to a confrontation of the Blocs. Expulsion of three American diplomats meant the disruption of the long-awaited confrontation due to the increasing inclination of Syria towards the USSR. The western bloc interpreted this as Syria's becoming a bridgehead of the USSR in the Middle East. When Turkish government announced its

⁷¹⁸Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.70; Ramazani, *The Northern Tier: Afghanistan, Iran and Turkey*, p.118.

⁷¹⁹Kürkçüoğlu, *Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70)*, p.134-5.

⁷²⁰Kürkçüoğlu, "The Evolution of Turkish-Arab Relations" in Harris, ed. *The Middle East in Turkish-American Relations*, p.46.

anxiety concerning the developments in Syria the crisis turned into a Turkish-Syrian crisis. Turkey also confronted with the USSR by this announcement. When the USA sided with Turkey following the USSR's threat, the conflict became the first direct confrontation of the USA and the USSR in the Middle East.⁷²¹

Though the crisis ended peacefully following resolutions in the UN, it had very important outcomes such as the Eisenhower Doctrine, which made the USA an opposing party against the Arab nationalism. President Eisenhower, in an address before Congress on January 5, 1957, called for a joint resolution not only providing for military and economic assistance programs for the region but also authorizing the use of U.S. armed forces when the US President deemed necessary. This Doctrine announced the USA's readiness to extend economic assistance to the Middle East countries as well as use of the American armed forces whenever demanded by a country in order to save that country's unity and political independence against international communism. While justified on these grounds, this Doctrine aimed to prevent the ideological and military intimacy of Syria and the USSR as well as creating a "military power balance" in the Middle East following the USSR's emergence as a super power in the region. The last was defined by referring to the possibility of filling of the power vacuum in the Middle East by the USSR.⁷²² Turkey's expression of gratefulness for the Doctrine which enabled the USA's interference into the domestic affairs of the countries in the region, on the other hand, intensified the Arab estrangement towards Turkey.⁷²³

⁷²¹Kürkçüoğlu, Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70), p.103-5

⁷²²Dore Gold, "Toward the Carter Doctrine: The Evolution of American Power Projection Policies in the Middle East, 1947-1980" in Steven L. Spiegel, Mark A. Heller, Jacob Goldberg, ed., *The Soviet-American Competition in the Middle East*, Washington D.C. : D.C. Heath and Company, 1988, p. 116; Kürkçüoğlu, Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70), p.114-6; Bağcı, Demokrat Parti Dönemi Dış Politikası, p.83.

⁷²³Bağcı, Demokrat Parti Dönemi Dış Politikası, p.84-5; Kürkçüoğlu, Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70), p.117-121

The 1958 Middle East Crisis was the last important confrontation between the Arab countries and Turkey in 50s. Using the Iraq Revolution as a pretext, the USA interfered with the Lebanon Crisis of 1958. What made Lebanon a tensely restless country was the confrontation of the pro-Western forces identified with President Chamoun and nationalist Arab forces who accepted Nassar as their ideal figure. When President Chamoun attempted to amend the Constitution to enable his re-election, the ideological differences resulted in armed conflicts. When Chamoun invited the US to stop the tension in the country, relying on the Eisenhower Doctrine the US intervened in this local issue on grounds that national interests of the USA were at stake. In this interference the USA used the American base in Turkey.⁷²⁴

As a country that still preserved its claim to be a leader in the region, the Turkish government declared its full support to the Western powers' intervention in Lebanon and Jordan. For the policymakers of Turkey what happened in Lebanon was an example of outside interference in the domestic affairs. In this approval the prevailing rationale among the Turkish politicians was that as these destructive activities were arranged from outside, interference from other countries should be regarded as a just act. The DP government announced its unconditional support to the military intervention of the USA in Lebanon and UK's in Jordan. The fact that these powers were invited by the administration of these countries was another basis in support of Turkish administration's rationale.⁷²⁵

The importance of these events regarding Turkey, as an aid recipient country, was the use of the American base in Turkey for the first time when the USA was dealing with an

⁷²⁴Erika Alin, "US Policy and Military Intervention in the 1958 Lebanon Crisis" in David W. Lesch, *The Middle East and the US: A Historical and Political Reassessment*, Colorado: Westview Press, 1996, p.147; Kürkçüoğlu, *Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70)* Harris, ed. *The Middle East in Turkish-American Relations*, p.124, 127-9.

⁷²⁵Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.97; Kürkçüoğlu, *Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70)* Harris, ed. *The Middle East in Turkish-American Relations*, p.134-5.

international issue. The Turkish government cooperated with Washington during the events surrounding the Iraqi revolution and the Lebanese crisis in 1958, permitting the use of Incirlik base. Expedition of the USA to Lebanon in 1958 started from the base in Adana. This was an issue on which the Turkish government and opposition did not have an agreement. Usage of the American bases by the US administration without informing the government and the Turkish Parliament in advance, arrival of the troops on the initiative of Washington D.C, and not Ankara and denial of free access of the Turkish journalists to these facilities were attacked by the opposition as these violated the sovereignty of Turkey. This was an important criticism not only due to its content but also its being the first serious crack in the national consensus on foreign affairs.⁷²⁶

As revealed from this examination, Turkey acting as the mouthpiece of the Western countries, failed to develop close relations with the Arab countries. In this failure historical background and anxieties regarding Turkey's "territorial ambitions" had their part but the main impeding factor was her alliance with the West. Turkey's ability to develop relations with the Arab countries in the following decade parallel to Turkey's differentiating herself from the West on issues regarding Arab identity proved the influence of this impeding factor.

Relations of Turkey & Nonaligned Countries: In the same period, position of Turkey and Arab nations vis-a-vis the nonaligned countries turned to be another source of confrontation. Turkish policymakers did not approve Arab nations increasing sympathy towards the nonaligned movement, consistent with Turkey's pro-Western stance. Similar to the US administration, they believed that in a bipolar world order unless a country belonged to the "free world" bloc, it belonged to the socialist bloc. Ironically, although respected by the

⁷²⁶Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.65-7; George Harris, "Turkey and the United States" in Karpas, *Turkey's Foreign Policy in Transition, 1950-74*; Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.97.

newly independent countries as the first country who gained her independence after a war of independence against the colonial powers in the 20th century, Turkey did not extend her political support to these countries.⁷²⁷ Facing this attitude of Turkey, the non-aligned countries concluded that Turkey was the mouthpiece of the Western countries, which represented their colonial past. The Bandung Conference of 1955 provided a firm basis for these claims.

As the occasion that reflected the uncompromising perspectives of Turkey and the newly independent countries, the Bandung Conference of 18-24 April 1955 was crucial. This Conference was the most important chain in the formation of the non-aligned Bloc and it opened a new stage in the relations between the Western Bloc and the non-aligned countries. This new phase was indicated by Turkish PM when he expressed that as the government their endeavors aimed at fulfilling the country's requirements between the Asian-American communities that emerged as a result of the Bandung Conference.⁷²⁸

The USA insisted on Turkey's participation in the Conference to represent the Western viewpoint. In his speech as the Chair of the Turkish delegation Foreign Affairs Minister Zorlu appraised the West while attempting to demean the non-alignment movement. Defining nonalignment as a danger not only to the world order but also to the country itself that adopted non-alignment, Zorlu referred to the case of Czechoslovakia, a country which lost its independence since it pursued a mid-way policy. In his support of the military and regional pacts in a bipolar world order, Zorlu defined Turkey's NATO membership as a security valve

⁷²⁷Kürkçüoğlu, "The Evolution of Turkish-Arab Relations" in Harris, ed. *The Middle East in Turkish-American Relations*, p.46; Şensekerçi, *Türk Devriminde Celal Bayar:1918-60*, p.219; Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.61.

⁷²⁸9th December 1955, Program of 4th Menderes Government.

for her independence. In his concluding remarks he invited nonaligned countries to be a part of the free world bloc.⁷²⁹

The Indian Prime Minister Nehru who assumed to be the leading figure of the movement, on the other hand, challenged this advocacy of Zorlu. The duel between Zorlu and Nehru was in fact the ideological confrontation of the West and the nonaligned countries. Nehru had an aggressive attitude towards Turkey and accused her as the advocate of the West. He rejected all alliances in the Mediterranean and claimed that more than security they brought insecurity to the countries which recently participated in them. Against Zorlu's appreciation of the NATO and such sort of organizations, Nehru said that NATO was one of the most powerful protectors of colonialism. For an Asia-Africa country being a part of this organization could only be regarded as disgracing of one's self. Criticizing both blocs due to the prevailing tensions in the world Nehru expressed India's self-pride due to her nonaligned stance in the international order.⁷³⁰

In essence, not only the ideological issues but also Turkey's alliance with Pakistan in military pacts led to the confrontation of India and Turkey. While the first assumed the leadership of nonaligned movement, the latter claimed to be the natural leader of the Arab countries. As India observed the estrangement of the Arabs from Turkey, for Indian leadership Turkey's alliance with her hostile enemy was more important. In rejecting all military pacts or criticizing the US-supported armaments, Indian policymakers challenged the legitimacy of Turkey as well. Consequently, the Bandung Conference became an arena for the two assumed leaders in their regions to challenge the basis of their foreign policy preferences.

⁷²⁹Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.61; Kürkçüoğlu, *Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70)* Harris, ed. *The Middle East in Turkish-American Relations*, p.77.

⁷³⁰Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.62.

While this attitude of the Turkish delegation deepened estrangement between Turkey and non-aligned countries, it was appreciated by the US administration. In a meeting the Secretary of the State expressed his appreciation due to the high performance of Turks in the Bandung Conference.⁷³¹

As revealed in this brief analysis Turkey's US-centricism in foreign affairs was the main dynamic that shaped her relations with other countries. Identifying Turkey's interests with the West, Turkish policymakers were proud of the leadership role that the USA assigned to her in an orthodox manner by undermining the existing dynamics in the strategic region that she was located in. In contrast to the assumptions that Turkey led a unified Arab movement against the USSR, her identification with the West caused estrangement of the Arab and nonaligned countries for whom Turkey was a mouthpiece and a collaborator of the colonial exploiters. Under the impact of this estrangement countervailing developments were initiated in the region such as acceleration of the rapprochement of these countries with the USSR. Regardless of these developments, Turkey's identification with the West led to an automatic confrontation with the socialist bloc, particularly with its superpower.

Relations of Turkey & the USSR:

When the USSR demanded land from Turkey in the immediate aftermath of the WW2, this revived the psychological hatred towards the USSR owing to centuries long conflicts between two neighbors. Under the circumstances Turkish policymakers endeavored to raise the attention of the western countries to these expansionist demands of the USSR that challenged Turkey's security and territorial unity. Following her involvement in the "free world" when

⁷³¹Confidential Informal Record of Meeting with the Secretary and the Undersecretary, April 29, 1955, RG 84, Foreign Service Posts of the Department of the State, Turkey, Ankara Embassy, Classified General Records 1950-52.

the Cold War was at its acme, Turkey was distinguished by her enthusiasm in taking part in establishments against the socialist bloc. The main motive behind this enthusiasm was Turkey's desire to assure her security against the USSR.

In the Cold War context, as an ally in the Western Bloc, Turkey had various confrontations with the superpower of the Socialist Bloc. The distinguished feature of the relations between these two countries was Turkey's refusal of the Soviet calls for a less tense relation after Stalin's death. While other NATO members regarded this as signs of normalization, Turkish policymakers preserved their anti-Soviet position. Turkish Foreign Minister defined the Soviet attempts for peaceful existence as a part of her strategy to falsify the free world. He supported that while she created the impression that she would not have an expansionist and aggressive policy, she would split the solidarity in the free world.⁷³² This hostile attitude of Turkish policymakers was meaningful in the Cold War context when her bargaining power vis-à-vis the superpower of the western bloc increased parallel to the increase of threats and pressures exerted by the USSR. Awareness of this direct proportion led Turkish policymakers to deny normalization of the process that might reduce the importance of Turkey.

However, towards the end of the decade, parallel to intensification of economic problems, Turkish policymakers were receptive to the peace calls of the USSR. Timing of this receptiveness was, however, not welcomed by the western countries, particularly by the USA whose superiority in space was challenged by USSR's launching of the Sputnik in 1957, which changed the balance of power in the Cold War. This was a watershed in the Cold War context after which NATO adopted a new strategy. Concrete implication of this new stage in Turkey was the establishment of nuclear missiles in the country with an intermediate range

⁷³²Bağcı, Demokrat Parti Dönemi Dış Politikası, p.76-7.

designed to offset the tactical superiority in ballistics achieved by the Soviets. Though this resulted in the Cuban Crisis between the superpowers, the USSR was insistent on having normalized relations with Turkey. In December 1959, the Minister of Health visited the USSR where he expressed his hope regarding the improvement of relations between two countries. On January 9, 1960 Fatin Rustu Zorlu, the Foreign Affairs Minister declared that the world military balance made a Soviet attack unlikely on Turkey as a NATO power. He also added that the USSR was respectful of Turkey's international commitments. In April 1960, the Turkish government announced the exchange visits between the Prime Minister Menderes and Soviet leader Khrushchev. But these visits could not be realized due to the Coup 1960 that ended the DP era.⁷³³

The above-mentioned missile crisis of late 50s that ended with the Cuban Crisis of early 60s was the most important confrontation between these two countries. Its importance arose due not only to the USSR's direct challenge to Turkey but also its far-reaching impact on the Turco-American relations. This crisis compelled the Turkish public to face the vulnerability of Turkey's security when the USA's security was at stake. The USA paid little attention to the protests of the USSR concerning the deployment of out-fashioned medium-range missiles in Turkey until she realized that the USSR deployed missiles in Cuba. By excluding Turkey from the negotiations, the USA agreed on the removal of missiles in Turkey corresponding to the removal of ones in Cuba. Though the Turkish government announced Turkey's support of whatever would be the decision of the USA it protested the decision when it learned in advance assurance given to the Soviets regarding the removal of the missiles by the US government.⁷³⁴

⁷³³Kemal Karpat, "Turkish Soviet Relations" in Karpat, *Turkey's Foreign Policy in Transition, 1950-74*, p.86.

⁷³⁴Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.92-3; see also Nur Bilge Criss, "Strategic Nuclear Missiles in Turkey: The Jupiter Affair, 1959-1963", *Journal of Strategic Studies*, 20, September 1997, p.97-122.

What was shocking for Turkey was the denial of Turkey from the deal between the USSR and the USA even though it would be the one which would be destroyed in case of any confrontation between two superpowers. This crisis shattered the foundations of Turkish security policy which relied on the assumption that NATO membership provided full security to Turkey against any challenge of the USSR.⁷³⁵ During the crisis, Turkey faced the fact that for the superpowers she was one of the “minor” battlefields that could be sacrificed to save their own interests. The Turkish policymakers also reached to the conclusion that some types of arms which were regarded as deterrent factors made, in fact, Turkey a target for the USSR.

Moving from this rationale these circles concluded that Turkey also had to put its national interest first and regain some freedom of action in the international arena. Several members of Inonu cabinet and some senators suggested that Turkey had to contribute to the new climate of coexistence by a gradual reduction of its military and political obligations towards the West and by a neutralist foreign policy. They referred to the friendly relations with the USSR in 20s and 30s.⁷³⁶ This questioning and demands for redefinition of Turkey’s priorities in foreign policy that commenced within the Turkish Parliament later on became common for the Turkish public during the Cyprus crisis of mid-60s. This was the watershed that indicated commencing a of second period in Turkish-American diplomatic relations.

As the analysis reveals, unlike the frequent confrontations on economic issues, 50s were the heyday of the Turco-American relations in the diplomatic field. While these years were the most intensified period for the Cold War, Turkey with the enthusiasm and overoptimism of being in association with the Western Bloc pursued a dynamic and active foreign policy. In

⁷³⁵Harris, *Turkey: Coping with Crisis*, p.187.

⁷³⁶Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.94; Walter Laqueur, *The Struggle for the Middle East: The Soviet Union and the Middle East 1958-68*, London: Routledge & Kegan Paul, 1969, p.16.

this move, another determinant that was crucial was the personality of the Prime Minister Menderes who was ambitious to play the role of the “Big Brother”⁷³⁷ in the regional arrangements. Another important factor for the “devotion” of Turkey to her big ally was the belief that the more Turkey acted in line with the USA on diplomatic issues, the more aid Turkey could receive from the USA. However, maybe more important than these, the Turkish policymakers equated their interests with their big ally, without thinking of the possibility of “betrayal” from her allies, at least on diplomatic issues. This sort of thinking could explain the bipartisan foreign policy until the mid-50s. This bipartisan character, however, began to be shattered when the opposition felt the violation of the national sovereignty of the nation as well as the inclination of the governing party’s invitation of the country’s allies to intervene into the domestic policies.

The questioning of the alliance in the mid-50s began to be widespread by time due to the increasing differentiation between the priorities of the allies. In fact, the allies, particularly the small ally began to identify and differentiate the existing conflicting interests by the waning of the Cold War. These developments along with the changes in the Turkish society made the 60s totally different from the 50s. In addition to the confrontations on economic issues, Turkey began to confront with her big ally on diplomatic issues as well. The important thing that should be emphasized, however, was that these confrontations were not due to or led to her exclusion from the Western Bloc. Instead by remaining in the Western Bloc, Turkey started to pursue a multilateral foreign policy.

⁷³⁷Bağcı, Demokrat Parti Dönemi Dış Politikası, p.46.

Second Period (1964 onwards)

With respect to the foreign affairs policy, the 60s were distinguished by an intense self-criticism and a search for a new line of action. Turkey had to reevaluate and reinterpret the country's stance vis-à-vis other countries. Some factors such as détente between the superpowers, signing of a partial nuclear test-ban treaty⁷³⁸ and pressures of Turkish public and opposition⁷³⁹ created the appropriate environment for such a self-questioning. However more important than these factors, there were some events that compelled Turkey to face her position in the international arena. The most decisive event of the era was the Cyprus issue through which Turkey reached "maturity". Cyprus issue was a watershed in Turkey's relations with her western allies. In fact it was the moment of judgement when both ruling elite as well as public in general were compelled to perceive the realities of the process that Turkey had undergone since the post-WW2. They also understood what it really meant to be a small partner in such an alliance. As a result of this, Cyprus served for the "awakening" of Turkey through which they came to realize that on various grounds. Turkish policymakers defined Cyprus as a lesson for Turkey that they could at any time meet the betrayal of her allies. Accepting this as a fact, the politicians emphasized the necessity of giving a new direction to Turkish foreign policy.

Cyprus, as the milestone in foreign affairs policy, was an issue till early 50s when Turkish policymakers denied that there was a Cyprus problem by referring to Britain's domination and authority in the island. Though Britain did not have any intention of transferring the island to another country, Turkish policymakers were confident that in case that there would be such a

⁷³⁸Mehmet Gönlübol, "NATO, USA and Turkey" in Karpas, Turkey's Foreign Policy in Transition, 1950-74, p.29.

⁷³⁹Harris, Turkey: Coping with Crisis, p.187.

transfer Britain would transfer her rights to Turkey.⁷⁴⁰ In contrast to the belief of the Turkish policymakers, when Britain withdrew her rights on the island, Cyprus emerged as a problem. Both Greece and Turkey were sensitive on the issue of domination in the island concerning to the Greek and Turkish populations there. Though not free from tensions, the Cyprus problem was handled in a peaceful manner through negotiations of the guarantor states, namely Turkey, Greece and Britain.

In the course of time, however, parallel to the increasing demands of the Greek population of the island, tensions between the two communities as well as Greece and Turkey increased. Various meetings between Britain, Greece and Turkey as guarantor states were inconclusive and the Cyprus issue remained as an impasse. When the tensions increased in 1963-4, Turkey interfered and also brought the issue to the UN. At that juncture Turkish policymakers faced the loneliness of the country, as Turkey did not receive the support of countries in the UN for resolutions on the issue, which she believed was her right.⁷⁴¹

What aggravated the impact of this realization was, however, the US stance during the crisis. In the face of the USSR's overt support of the Greeks and her threats, Turkey received a letter from the US President Johnson that reminded the scope of Turkey's maneuvering capability. Relying on the fourth article of the first Turkish-American Aid Agreement of 1947, Johnson warned the Turkish government that it did not have the right to use the arms provided by the American foreign aid to intervene in Cyprus. President Johnson also shed light on Turkey's vulnerability against a Soviet attack. This warning that had a traumatic impact on Turkey was clear on NATO's non-interference in case that Turkey was attacked by the USSR. This was,

⁷⁴⁰Journal of TBMM Records, Term VIII, Meeting 4, Volume 23, 23 January 1950.

⁷⁴¹Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.14; Harris, *Turkey: Coping with Crisis*, p.188; Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.118-9.

in fact, violation of the 5th article of the NATO agreement that guaranteed extension of all sorts of military and other kinds of assistance when a member country faced an aggression.⁷⁴²

When a newspaper disclosed the Johnson letter Turkish policymakers first adopted an attitude of undermining the importance of the letter. Ministers either defined it as tactical moves of the USA without much influence to the process by referring to the Turkish government's initiatives in Cyprus⁷⁴³ or as only a letter to be read and then put into the drawer.⁷⁴⁴ While making these comments, however, these ministers were aware that the issue was not so simple. By this letter Turkey closed the era of Ankara's automatic diplomatic cooperation with the USA. Turkey left its ultimate trust and be aware of the fact that her allies had interests that evidently could diverge at times from those of Turkey. For the first time thousands of Turkish citizens chanted 'Yankee go home'. The Turkish public also blamed the American Embassy in Turkey on grounds that the Embassy's officials misinformed the US administration.⁷⁴⁵

The Cyprus crisis of mid-60s was crucial as it was a watershed in the diplomatic history of Turkey, with its far-reaching outcomes. First of all, this event shattered the foundations of Turkish foreign policy of post-WW2. Turkish policymakers as well as public grasped that identification of Turkey's participation in the western bloc with guaranteed security vis-à-vis armed aggression was an illusion. Turkey faced the reality that what she relied on military terms lacked a sound basis since the country was denied of the right to use the arms provided by the US military aid. She also faced the reality that all the sacrifices or obligations that the country had to bear as a

⁷⁴²Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.14; Harris, *Turkey: Coping with Crisis*, p.188; Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.118-9.

⁷⁴³Journal of TBMM Records, Term II, Meeting 2, Volume 13, 18 February 1967, 1967 Budget Draft Debates.

⁷⁴⁴Quoted from Foreign Affairs Minister İhsan Sabri Çağlayangil, Journal of TBMM Records, Term II, Meeting 4, Volume 34, 19 February 1969, 1969 Budget Draft Debates: Ministry of Foreign Affairs.

⁷⁴⁵Harris, *Turkey: Coping with Crisis*, p.188; Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.118-9.

NATO member were also in vain as the Organization would not extend its support to its strategic member at any time. This support would be extended when the allies of Turkey thought that it was crucial for their own interests. The trauma that Turkey underwent and questioning of every dimension of Turkey's relations with the USA should be evaluated from this perspective.

The debates in the Turkish Parliament reflected the nature of this self-questioning. Critics of the policy summarize the process that resulted in Turkey's loneliness in the international arena as Turkey's identification with the Western colonial emperors. In their viewpoint the most painful aspect of recent developments was the support of Turkey's allies offered to Greece while leaving Turkey alone. Moving from these diagnoses Turkish policymakers concluded that there was a necessity of redefining the Turkish foreign policy according to nationalist lines parallel to the changes in the world order. The world was not the same in 50s when two superpowers had a dominating stance vis-a-vis other countries. They suggested that under the changed circumstances foreign policy of the country should be nationalist, and not an ideological one. Referring to the fact that countries which lacked any common point in the past now united against Turkey, the MPs suggested avoiding extreme hostilities and satellitism in the foreign policy for the future. Last but not least, for the correction of the fallacious aspects of the foreign policy, they suggested making the required changes in the agreements to serve the national interests, rearranging relations with the countries and developing good relations with the USSR.⁷⁴⁶ The far-fetching developments following the Cyprus crisis proved the firmness of the policymakers on the issue.

The distinguishing feature of the second period was multilateralism in foreign policy, which indicated Turkey's shift from the USA-centric unidimensional foreign policy. Relying on this

⁷⁴⁶Journal of TBMM Republican Senate Records, Term I, Meeting 5, Volume 31, 23 December 1965; Journal of TBMM Republican Senate Records, Term I, Meeting 5, Volume 31, 6 January 1966; Journal of TBMM Records, Term II, Meeting 1, Volume 2, 14 February 1966, p.814.

shift, Harris defines Cyprus crisis as the required impetus for the Turkish policymaker for such a sharp turn in the course of foreign relations.⁷⁴⁷ The loneliness in the UN on the Cyprus issue, which Turkish policymakers regarded as crucial for national interests as well as prestige, led them to reshape the relations with the countries that they neglected in the preceding period. While this reshaping eased the tensions with the USSR, Turkey, on the other hand, confronted with the USA on various issues.

Attempts to develop relations with the Third World countries and Arab nations accelerated after the Cyprus crisis. The immediate objective of the foreign policy was to provide support in the international arena on the Cyprus issue. Yet the multilateral foreign policy had economic connotations also. This was related to the need to find new markets for the industrial goods of Turkey. Commencing in mid-60s Turkish industrial capital suffered from the stalemate in the domestic market. The growing crisis of the world economy in 70s aggravated the situation for Turkey. The decreasing contribution of the center countries to pay the deficit of the budget compelled the Turkish policymakers to create alternative income resources via new markets.⁷⁴⁸ As finding of new markets necessitated development of good relations with other countries, the foreign policy line was shaped accordingly.

Turkey commenced the reshaping of her foreign policy from Arab countries. A considerable development in Turkey's relations with the Arab countries occurred following Turkey's putting restrictions on the use of American military bases in the moves against Arabs. Turkey's relations with the Arab nations revealed the situation that instead of considering herself as a member of the Western alliance, she now developed her own policy line to best serve her national interests. This was a total shift from the policy line of the previous decade.

⁷⁴⁷Harris, Turkey: Coping with Crisis, p.187.

⁷⁴⁸Ramazanoglu "The Politics of Industrialization in A Closed Economy and the IMF Intervention of 1979" in Ramazanoglu, ed. Turkey in the World Capitalist System, p.81.

Decisions that Turkish administrators took in this era regarding the regional issues were in direct opposition to Western, particularly American interests. In all Arab-Israel confrontations Turkey extended her support to the Arabs. Following the outbreak of the Arab-Israel War of 1967, the Turkish Foreign Minister announced that the American bases would not be used against the Arabs. Turkey also adopted a formal opposition against territorial gains by using force. As a sign of good intention she sent relief aid to Arab countries which suffered from the greatest losses during the War. Also during the 1973 conflicts Turkish government immediately declared its disapproval of forceful occupation of the Arab lands by Israel. It supplied relief aid for the war-hit Arab countries. While Turkey disapproved the use of military bases against Arab countries and declared her refusal concerning the USA's refueling and reconnaissance facilities, she tolerated Soviet over flights in the Turkish airspace carrying arms to the Arab countries. This policy was also reflected in UN votings when Turkey was sided with Arab countries. The JP governments pursued this pro-Arab policy line despite the main opposition party's call for a more neutralist policy line.⁷⁴⁹

This pro-Arab policy line had immediate returns in the form of developed economic relations and support at international platforms. This was regarded as the success of the Turkish foreign policy as these two developments served the attainment of fundamental objectives of finding markets for the national industrial capital as well as support for the Cyprus issue. In the meantime Turkey developed economic relations with Iraq, Saudi Arabia, the Gulf States and Libya. As a sign of satisfaction due to Turkey's voting with the Arabs in the UN during and

⁷⁴⁹Journal of TBMM Records, Term II, Meeting 4, Volume 34, 19 February 1969, Budget Draft Debates: Ministry of Foreign Affairs, p.44; Kürkçüoğlu, "Development of Turkish-Arab Relations: A Historical Appraisal" in Ali L. Karaosmanoğlu and Seyfi Taşhan, ed. Middle East, Turkey and the Atlantic Alliance, Ankara: Foreign Policy Institute, 1987, p.18-9; Atilla Eralp, "Turkey in the Changing Postwar World Order: Strategies of Development and Westernization" in Öncü & Keyder, ed. Developmentalism and Beyond, p. 215.

after the wars, Turkey was among the countries exempted from the short-lived oil boycott imposed by the Arab oil producers following 1967 war.⁷⁵⁰

Last but not least, this increasing Third Worldist stance assured support on Cyprus issue. In the Third Non-aligned Bloc Summit held in Lusaka in September 1970, the Cypriot Greek side leader tried to pass a decision that served their cause in Cyprus. By reacting to this initiative, the Arab nations, not only Morocco, Jordan or Kuwait but also countries known as progressive such as Algeria and Syria supported Turkish side in Cyprus.⁷⁵¹

Parallel to the shift in foreign policy, Turkey's relations with the nonaligned countries also developed. When the concern was nonaligned countries, the consensus was on the increasing importance of the Third World countries in the world politics. But there were contradicting views regarding the nature of relations. While majority of the politicians supported a limited improvement covering existing relations, some supported that Turkey had to adopt a neutral policy line and associated with the movement that these countries pursued in foreign affairs. The majority rejected the latter view on grounds that Turkey had to preserve its stance in the Western Bloc. According to this point of view, a neutral policy line would endanger the Western system of Turkey and would end Turkey's independence. They emphasized that a multilateral policy line did not necessitate departure from the Western Bloc; instead, the idea was a redefinition of the relations with the Western Bloc on honest and equal basis and diversified the relations with other countries by remaining in the Western Bloc. According to this predominant view, the geostrategic and geopolitical position of the country necessitated, that it remained in the Western Bloc. Pointing out the possible negative impacts of Turkey's

⁷⁵⁰Kürkçüoğlu, "The Evolution of Turkish-Arab Relations" in Harris, ed. *The Middle East in Turkish-American Relations*, p.47.

⁷⁵¹Kürkçüoğlu, *Türkiye'nin Arap Ortadoğu'suna Karşı Politikası (1945-70)*, p.10-1.

dissolution from the Western Bloc, of such as change in the balance of power, some even claimed that this would lead to revolutions in different parts of the world.⁷⁵²

The other facet of multilateral relations was normalization of relations with the USSR. National priorities of Turkey and the USSR shaped the normalization process. While Turkey aimed to develop her economic relations with the USSR mainly with respect to her objective of establishing some basic heavy industrialization plants, for the USSR Turkish straits had an increasing importance owing to her naval presence in the Mediterranean and her growing influence in the Arab world.⁷⁵³

Reversal of the USSR policy on Cyprus in 1964 as well as Turkey's refusal of participating in the Multilateral Force in January 1965 represented two important milestones in this process. In the framework of this normalization, in addition to exchange of visits at high-level, two countries reached an agreement on the construction of several large-scale industrial projects and foreign aid with long repayment duration and low-interest rates. In the diplomatic field, a parallelism was observed during the Arab-Israel conflict. Both countries strongly supported the return of Arab lands lost to Israel in 1967 and stressed their desire to see the Near and Middle East as a land of peace. On this issue they agreed on bilateral contacts and exchange of opinions.⁷⁵⁴

Despite these developments, however, the expected broadening of Turco-Soviet relations did not materialize. The bombing of the Greek positions in Cyprus by the Turkish air force

⁷⁵²Journal of TBMM Records, Term II, Meeting 2, Volume 13, 17 February 1967, 1967 Budget Draft Debates: Ministry of Foreign Policy; Journal of TBMM Republican Senate Records, Term I, Meeting 5, Volume 31, 6 January 1966; Journal of TBMM Republican Senate Records, Term I, Meeting 5, Volume 31 7 January 1966; Journal of TBMM Records, Term II, Meeting 2, Volume 9, 9 December 1966.

⁷⁵³Karpat, Turkey's Foreign Policy in Transition, 1950-74, p.10.

⁷⁵⁴Karpat, "Turkish Soviet Relations" in Karpat, Turkey's Foreign Policy in Transition, 1950-74, p. 97.

brought in severe Soviet protests. Though this led to frictions between the two, the real turning point in the USSR and Turkey relations was, however, the Czechoslovakia event and the Brezhnev Doctrine which claimed the right of intervention for the Soviets to uphold the Socialist regime in any country. These two were the events that led many neutralists into “strong apologists’ of NATO. The empowering position of the USSR in the Mediterranean and the claim that the Mediterranean was an extension of the Black Sea, which concerned the status of the Straits were the bone of contention between two countries. These made the future of the relations ambiguous and uncertain.⁷⁵⁵

Yet in the second period, due to the new policy line in foreign affairs, Turkey was frequently at odds with the USA. The immediate impact of the trauma that the country underwent during the Cyprus crisis of mid-60s was the growing anti-Americanism that found its expression in anti-American slogans, aggression against American diplomats and similar acts.⁷⁵⁶ This anti-Americanism shed light on the increasing sensitivity and questioning of the stance of the American personnel in the country,⁷⁵⁷ status of the bases⁷⁵⁸ as well as content of the bilateral agreements. In addition to this, Turkey and the USA confronted on various issues, such as the poppy question. As the last two issues turned out to lead to a serious confrontation between the superpower and Turkey they are worth examining in this context.

After becoming a member of the NATO Turkey concluded a series of bilateral agreements with the US either directly with reference to Article 3 of the Treaty or with reference to the

⁷⁵⁵Ibid.

⁷⁵⁶Journal of TBMM Records, Term 3, Meeting 1, Volume 1, 10 November 1969; see also Nur Bilge Criss, “A Short History of Anti-Americanism & Terrorism: The Turkish Case”, *Journal of American History*, 89 (2), September 1997, p.472-484.

⁷⁵⁷Özdağ, Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali, p. 47; Gönübol, “NATO, USA and Turkey” in Karpas, Turkey’s Foreign Policy in Transition, 1950-74, p.36.

⁷⁵⁸Gönübol, “NATO, USA and Turkey” in Karpas, Turkey’s Foreign Policy in Transition, 1950-74, p.36, 39-40.

NATO Status of Forces Agreement signed between the member countries on 9 June 1951. This agreement contained provisions regarding the status of the forces of a member country during their being stationed on the territory of another member country. Turkey became a part of this agreement on March 10, 1954. Turkey and the USA concluded nearly a hundred of these agreements a majority of which remained secret.⁷⁵⁹ Yet regardless of their category, the common feature of the majority of these bilateral agreements was its design to serve mainly to the interests of the USA, more than the ally, owing to the latter's weakness vis-a-vis the USA. They were arranged in a manner that the USA had the right of intervention whenever it liked by various formulas.⁷⁶⁰

The question of the constitutionality of the bilateral agreements was raised frequently in the process. As an attempt to create a legal mechanism to prevent the arguments that these bilateral agreements were unconstitutional, after the Coup of 1960, an article was put in the 1961 Constitution that obligated ratification of all sorts of international agreements and accords, still with the exception of several categories.⁷⁶¹

In the post-1964 era parallel to the increasing anti-American sentiments these bilateral agreements were brought under scrutiny. This thorough examination revealed that a great majority of these agreements were concluded not by a particular department of the government but by different departments. They were negotiated either with the Foreign Ministry, with a particular ministry involved or the Turkish General Staff.⁷⁶² A factor that aggravated the situation was related to the type of the agreement or the deficiency in the

⁷⁵⁹Ibid., p.35

⁷⁶⁰Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.54; Aydemir, *Menderes' in Drami 1899 – 1960*, p.444.

⁷⁶¹Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.88-9.

⁷⁶²Ibid.,p.54; Aydemir, *Menderes' in Drami 1899 – 1960*, p.444.

archiving system of the country. Some bilateral agreements were in oral forms. The oral ones were agreed either by telephone or tete-a-tete. The written agreements were also problematic due to their improper preservation. In late 60s the Foreign Affairs Minister complained that the original copies of these agreements were not kept in the archives of the Foreign Affairs Ministry. Their endeavors to gather these agreements resulted in the collection of only half of them.⁷⁶³

In 60s what fostered the debates on bilateral agreements was the behavior of the American personnel in the bases. Establishment of the military bases was an outcome of the USA's global military strategy. By the establishment of NATO, establishment of these bases became easier as the NATO agreement recognized such a right. In Turkey these bases were established according to the 12 July 1947 agreement. The increase in the number of American personnel in the bases, on the other hand, was possible by a "secret" agreement dated June 23, 1954, that was not ratified by the Parliament. Yet its secrecy was not due to its unknown nature but due to the artificial name labeled on it to avoid the supervision of the Parliament. As the agreement was signed as 'execution agreement' it was free from the checking mechanism of the Parliament. By arranging the status of the American personnel in Turkey in the framework of this agreement, huge concessions were recognized to the American personnel in Turkey.⁷⁶⁴

While the Turkish public asked for the expiration of these agreements, the USA insisted, even "resisted" not to give up some privileges. As a result of considerable endeavor, a solution that reduced the tension in the Turkish public was found by the signing of the Basic Agreement in

⁷⁶³Journal of TBMM Records, Term 2, Meeting 4, Volume 34, 19 February 1969; Gönübol, "NATO, USA and Turkey" in Karpas, Turkey's Foreign Policy in Transition, 1950-74, p.35-6.

⁷⁶⁴Özdağ, Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali, p. 47.

late 60s. This was accompanied with a reduction in the number of American military personnel in Turkey. Besides Çıg lı airport and radar bases at Trabzon and Samsun were transferred to Turkish armed forces. The remaining radar bases were adjusted to the principles of new agreements. These arrangements were made to ease the criticisms regarding the bases. The debate related to the American bases in Turkey was carried out in the framework of independence of the country. Critics of these bases point out that in their own country, Turkish officials, even the National Defense Ministry could not enter the bases without the permission of the American authorities.⁷⁶⁵ New arrangements following the increased criticisms were far from satisfying even the moderate or pro-Western people, particularly because of the special case of Incirlik Base, as the double key principle.⁷⁶⁶

The poppy question stood as another irritating issue in 60s between the USA and Turkey. Although there was no widespread narcotics addiction in Turkey itself, the US administration identified Turkey as one of the major resources of illegal heroin supplies reaching the US in 60s. Following this identification, the US administration asked for the total elimination of the poppy cultivation. This remained unsolved until the first technocrat government set up following the Memorandum of 12 March 1971. By 1972 this government under the Prime Ministry of Nihat Erim agreed on the total elimination of poppy cultivation. As compensation for the Anatolian producers, the US administration provided 35 million Dollars.⁷⁶⁷

The US administration put the issue in this manner to prove her dominance over an aid recipient small ally. Due to this reason, the issue turned out to be one of the more bitter

⁷⁶⁵Journal of TBMM Records, Term 2, Meeting 1, Volume 1, 7 November 1965, p.176

⁷⁶⁶G nl bol, "NATO, USA and Turkey" in Karpat, Turkey's Foreign Policy in Transition, 1950-74, p.39-40.

⁷⁶⁷Tanju C lzo lu, "Kader Bizi Una De il  ne İtti",  a layangil 'in Anıları,  a layangil 'le Anılar,İstanbul: B ke, 2000, p.86-7; Rustow, Turkey: America's Forgotten Ally, p.92-3.

confrontations between Turkey and the USA. Claims of the Foreign Affairs Minister of the era shed light on this bitterness. In his memoirs, the Foreign Affairs Minister of the era claimed that the poppy question was the cause of ousting of the Demirel government. While explaining the process, Çağlayangil stated that the American Ambassador brought the compensation issue first to him. As the Prime Minister of the era, Demirel rejected this proposal on the grounds that abrupt ceasing the poppy cultivation was impossible as more than twenty-five cities along with their provinces were earning money from poppy cultivation. Instead, Demirel suggested a process of restriction of area under cultivation at the end of which the cultivation would cease totally. This appropriate suggestion was repeated to the American Ambassador who did not welcome the idea. According to the claims of Çağlayangil, American Ambassador said that it was a pity since some very bad results would emerge from this attitude of the Prime Minister. In a few months time these “very bad results” were understood since in three months time Demirel government was ousted.⁷⁶⁸

To sum, in 60s parallel to the faced realities in the diplomatic field, Turkey developed her relations with the Arab countries, nonaligned world and the Socialist Bloc. In this policy line the diplomatic and economic considerations were at force. Turkish policymakers were aware of the fact that by assuring these countries’ support Turkey’s position would be reinforced both diplomatically and economically. In addition to the willingness of these policymakers, relaxation of the tensions between the blocs promoted the appropriate international environment which enabled the development of relations. As another dynamic, economic considerations were important for Turkey. In a short time, the policymakers as well as the national capitalists witnessed the early return of the improved relations. Without leaving their position in the Western Bloc, by adopting a pragmatic policy line Turkey pursued a nationalist

⁷⁶⁸Cılızoğlu, "Kader Bizi Una Değil Üne İtti", Çağlayangil 'in Anıları, Çağlayangil 'le Anılar, p.86-7.

foreign policy, highest priority of which was national interests. Turkish policymakers supported multilateral foreign policy as the diversification of the relations existing in world conditions necessitated. Compared to the previous decade which was distinguished by a total conformity with the allies, Turkey entered a new stage where she put her national priorities to the fore forth.

c. The USA & Turkey on Military Issues

For the superpower of the Western bloc, Turkey was one of the components in the context of a global defense system against the Communist threat. In the process, she was incorporated into this defense system through various steps. While the first step of this incorporation was the Turkish-Greek Assistance Program of 1947, the main step was her membership to NATO in 1952. Between these two, Turkey grasped the opportunity to reveal her solidarity to the cause of the Western Bloc by the Korean War.

The military dimension of the Turkish-American relations was based on a ‘win-win’ assumption. Improvement of the defense capacity of the small ally neighboring the superpower of the Socialist Bloc would serve to the national interests of the USA. Turkey, on the other hand, as the small ally welcomed this incorporation to the global defense plot of the “free world” bloc. Despite this compromise, however, the military relations of the allies were not free from tension. Confrontation of the allies on various military issues intensified in 60s parallel to the questioning of relations with the USA in general.

In late 40s, Turkey continued to spend a considerable amount of her budget for defense expenditures. This spending was done at the expense of the economic development. By current data Turkey was the country whose military spending exceeded that of any of the

Western European countries. The American officials pointed out that due to defense expenditures since 1938 there was no production program that served the economic development of the country.⁷⁶⁹

In the aftermath of the WW2, Turkey received first military aid allocation by the Turkish-Greek Assistance Program of 1947. The US administration designed the military aid program of Turkey as modernization of the Turkish military. The US administration defined this as a crucial program on the grounds that increase of Turkey's defense ability reinforced the deterrence of the Western Bloc vis-à-vis the socialist bloc. Turkish military program was shaped by strategic and economic considerations. In justifying military aid to Turkey, the USA administration referred to the geographic position of the country, situated between Europe and Asia. She was defined as a barrier to the Soviet expansion. Another factor that made Turkey an attraction point was her military and economic stability in comparison to the other countries of the region. In the appraisal of the aid, the US administration pointed out that unless Turkey received military aid from the USA, the defense allocations would have more devastating influence on her economy. For the future the US officials suggested the continuation of the military aid program since discontinuity of the military aid would have negative impacts on the Turkish economy.⁷⁷⁰

⁷⁶⁹Confidential Report on Turkey's Financial Position by Judd Polk, US Treasury Representative in Middle East, July 1949, RG 84, Foreign Service Posts of the Department of State, Turkey, Ankara Embassy, Classified General Records 1953-54.

⁷⁷⁰Secret Report Entitled as "Analysis and Comparison of US Policies with Regard to Aid to Greece, Turkey, Iran and Afghanistan", Prepared by American Embassy in Ankara, November 12, 1948, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files relating to Turkey, 1947-58; Third Quarterly USTAP Report entitled as Military Assistance to Turkey, 1948, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files Relating to Turkey, 1947-58; Confidential Statement Regarding Turkey's Financial Problem from George Wardsworth to Secretary of State, July 25, 1949, RG 59, Department of State, Decimal File, 1945-49; Confidential Memo on Justification of Military Aid from McGhee, Coordinator of Aid to Greece and Turkey to Department of the State, 1 April 1949, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files relating to Turkey, 1947-58.

In addition to these strategic considerations, the other factor behind the military aid of the USA was related to the economicality of the Turkish military forces. Comparison of the annual cost of the American soldiers with the Turkish soldiers revealed the extreme difference between the two. While an American soldier cost \$ 3511 annually, this was reduced to \$ 105 for the Turkish soldier. Moving from this data, the American policymakers concluded that strengthening of the Turkish military in the Middle East as a bastion against the Soviet aggression led to a reduction in the cost of any military takeover to a great extent.⁷⁷¹

Other economical benefit that these countries expected from the program was related to the surplus arms that the USA and UK had in their hands. This was the reason why the USA provided second-hand and second-quality arms, at least in the initial years of the military aid program. As the USA and UK faced a storage burden related to these surplus arms, in the military aid programs of these years their transfer to the aid recipient countries was a high priority. Provision of second-quality arms was related to the American Missions' commitment to the American Congress. According to this, the Congress asked for the Mission to enable the maximum possible usage of the lend-lease materials and surplus equipment. Officials of the American Aid Mission to Turkey pointed out that this was done automatically in every case.⁷⁷²

In the Turkish context when the American diplomats faced criticisms due to the provision of low-quality and used arms in the framework of the military aid program,⁷⁷³ they justified this by the weakness of the Turkish economy to bear the costs of high-quality arms. They supported the view that Turkey's debt burden had to be kept at minimum and this could only

⁷⁷¹Oral Sander, *Türk-Amerikan İlişkileri, 1947-1964*, Ankara: Ankara Üniversitesi Siyasal Bilgiler Fakültesi, 1979, p. 95-6.

⁷⁷²Secret Minutes Meeting of Representatives of State, War and Navy Departments to Consider the Report of the USA Survey Group to Turkey, July 22, 1947, RG 59, General Records of The Department of State, Records of The Office of Greek, Turkish And Iranian Affairs, 1947-50.

⁷⁷³Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.49.

be possible by providing her second-hand arms. These arms could be provided to Turkey at “junk” prices. The American officials pointed out that this would not only serve the benefit of Turkey but also the US and UK as they faced a storage burden.⁷⁷⁴

This view found supporters among the Turkish policymakers who concluded that a source-scarce country like Turkey had to be rational in spending these resources. Therefore, supply of second hand, low-quality arms was preferable.⁷⁷⁵

Ultimate objectives of the program were determined as reassurance of the Turkish public concerning USA’s full determination in supporting Turkey, improvement of the combat efficiency of the Turkish armed forces in order to deter the USSR or its satellites from aggression against Turkey and release manpower to alleviate the acute labor force shortage. As an outcome, these objectives were expected to increase the efficiency of Turkish military power, without aggravating the already heavy military budget of Turkey.⁷⁷⁶

American missions determined these objectives after examining the prevailing conditions in Turkish armed forces. According to their diagnosis, the basic prevailing deficiency of the Turkish military was heterogeneity of the arms. These were the collection of German, French and British equipment and certain amount of American equipment which had been procured

⁷⁷⁴Secret Memo on Turkey’s Present Economic Position and Capacity to Survive Foreign Loans from Edward B. Lawson, Counselor of embassy for Economic Affairs to Secretary of the State, December 10, 1946, RG 59, Department of State, Decimal File, 1945-49.

⁷⁷⁵Özdağ, Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali, p.51.

⁷⁷⁶Secret Report entitled as “Analysis and Comparison of US Policies wt Regard to Aid to Greece, Turkey, Iran and Afghanistan”, prepared by American Embassy in Ankara, November 12, 1948, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files relating to Turkey, 1947-58; 3rd Quartley USTAP Report entitled as Military Assistance to Turkey, 1948, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files relating to Turkey, 1947-58; Confidential Statement regarding Turkey’s Financial Problem from George Wardsworth to Secretary of State, July 25, 1949, RG 59, Department of State, Decimal File, 1945-49.

by lend lease from Britain during WW2. Many of these arms were far from efficient functioning. Much of the heavy mechanized equipment was inoperative due to lack of complete spare parts and repair facilities. Another problem was related to the mobility of the arms equipment. This was extremely limited due to the shortage of suitable animals, particularly for pack and horse drawn artillery. These were defined as factors that impeded any initiative of the modernization of the army.⁷⁷⁷

Moving from these facts, the American military officials concluded that a real modernization of the Turkish armed forces would cover a long period. As the best possible strategy, these officials suggested a two-dimensional strategy for Turkey. While one dimension of this strategy was the training of the Turkish military officials by the American military personnel, the other dimension was full equipment of the Turkish military forces with arms and equipment which they were familiar with.⁷⁷⁸

This fact as well as determined strategy for Turkey with regard to the modernization of its army was related to both what the USA expected from the country in the Cold War context and the donor's own economic considerations. A confidential communication of the Department of State revealed what the USA expected from Turkey in an armed conflict with the USSR. Instead of long-term benefits, the US administration focused on short-term benefits that served the Western Bloc's gaining of time in a possible armed conflict with the

⁷⁷⁷Secret Security Information, Analysis of Military Program to Turkey, RG 286, Records of the Agency for International Development, Mission to Turkey, Office of the Chief of Mission, Classified Subject Files 1948-56; Secret Telegram from American Ambassador in Turkey to Secretary of State, March 4, 1947, RG 84, Foreign Service Posts of the Dept of State, Turkey, Ankara Embassy, Safehaven Files 1945-48.

⁷⁷⁸Secret Telegram from American Ambassador in Turkey to Secretary of State, March 4, 1947, RG 84, Foreign Service Posts of the Dept of State, Turkey, Ankara Embassy, Safehaven Files 1945-48.

Socialist Bloc. Moving from this understanding, the US administration designed the military aid of 1947 to increase Turkish resistance to a 1948 or 1950 model Russian attack.⁷⁷⁹

Commenced by this rationale the military aid to Turkey continued by increasing amounts. As a Middle East country Turkey received the highest amount of military as well as economic aid.⁷⁸⁰ While the delivered military aid was \$ 68.8 million in 1948, this reached \$ 116.6 million in 1970. This was consistent with the increasing militarized feature of the American foreign aid policy which was easily justified by the Cold War context.

While the military aid programs comprised one aspect of the military relations between the USA and Turkey, the other aspect was collaboration through defense pacts or joint military expeditions. In the bipartisan foreign policy line, Turkey regarded taking part in these pacts or military expeditions as crucial as a “European” country and an important strategic ally of the Western Bloc. In the process, however, various developments revealed that her allies did not share the same enthusiasm as that of Turkey. First crucial confrontation of this sort occurred as early as 1949 on the question of membership to NATO.

In the immediate post-WW2 era, the most important defense pact was the North Atlantic Organization (NATO) established on April 4, 1949 with the participation of the USA, UK, France, Belgium, Holland, Luxembourg, Italy, Iceland, Denmark, Norway, Canada and Portugal. It was founded in the midst of increasingly tense relations between the USA and the USSR following the Berlin Crisis and the Coup in Czechoslovakia.

⁷⁷⁹Confidential Memo from Herbert J. Cummings to George McGhee, 29 July 1949, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50.

⁷⁸⁰Özdağ, Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali, p.54.

Turkey's exclusion from the NATO was a great surprise for the Turkish policymakers. Anxiety of being left out from the Western defense pact and feeling of being alone vis-a-vis the USSR were the dominant feelings. According to Sander, the other aspect of this anxiety was related to the aid amount. Turkish policymakers were anxious that Turkey's exclusion from NATO would decrease the amount of American aid.⁷⁸¹ By these considerations Turkey applied to NATO and expressed her intention to become a member on the eighth day of its establishment. Until her acceptance into NATO in February 1952, she had to repeat these applications frequently.⁷⁸²

In explaining Turkey's exclusion from the NATO, the USA administration stated that the Pact was a geographic defense concept and was limited only with the North Atlantic countries. Therefore, it suggested Turkey to regard herself as a member of a Mediterranean Pact instead of NATO membership. Satisfied with this explanation, the Turkish policymakers commenced lobbying for the foundation of a possible Mediterranean defense pact. What disturbed Turkey's acceptance of this explanation was invitation of Italy and French Algeria to NATO membership. When the Turkish policymakers pointed out the inconsistency of these invitations to the previous explanations of the USA, the US administration justified these invitations on the grounds that USA's security could not be defined by or limited to geographic boundaries.⁷⁸³

⁷⁸¹ see Sander, *Türk-Amerikan İlişkileri, 1947-1964*.

⁷⁸² Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*, p. 35.

⁷⁸³ Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.36; Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.15-6.

Turkey became more reactionary following Italy's membership to NATO since this decision put Turkey into a secondary place. Turkish policymakers defined this as the insincerity of the Western powers. Informing his government, the American Ambassador referred to a press campaign for a neutralist policy line. He added that though the official circles did not share advocacy of this neutralist foreign policy line currently, as Turks were proud people, the increasing pressure on the official circles might lead them to pursue a neutralist foreign policy. Moving from these facts, the Ambassador suggested either including Turkey to NATO or forming a Mediterranean group including Great Britain, France, Italy, Greece, Turkey, Iran and US.⁷⁸⁴

One of the most debated issues in the country was what led Turkey's exclusion from the NATO. Various factors were at force behind Turkey's exclusion from the NATO up to 1952. In this exclusion, the small members of the Pact and Britain had an important part. Norway and Denmark expressed their anxiety on the expansion of NATO to cover a non-industrial country like Turkey. Some also seemed concerned that the effort to bring Turkey's military equipment up to the standards set for Europe would lead to a reduction in the arms they were to receive. They shared the opinion that Turkey's membership would weaken the Pact. Britain, on the other hand, opposed Turkey's membership due to her own interests. The British politicians supported Turkey's participation in a Mediterranean and/or Middle East defense pact. Bağcı also points out that in addition to the anxieties of the individual countries, the general opinion among the members was the cultural heritage and traditions of the country which were regarded as obstacle for this membership.⁷⁸⁵

⁷⁸⁴Secret Telegram on Present Status of the Turkish Economic Situation from American Embassy Ankara to the Secretary of the State, March 31, 1949, RG 59, General Records of the Department of State, Miscellaneous Lot Files, Subject Files Relating to Turkey, 1947-58; Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.17, 21.

⁷⁸⁵Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.37-8; Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p.23, 49.

Despite these initial objections, in three years time Greece and Turkey became NATO members. Examination of the process revealed that more than initiatives of the member countries, developments in the Socialist Bloc determined the course of events. Rapid armament of the pro-Soviet Balkan states, increasing pressure of the USSR on Yugoslavia, NATO Commander Eisenhower's desire to strengthen the southeast flank of NATO mainly due to these factors, increased need of the USA for military bases in Turkey for any future air flows and increased importance of the Middle East were the main factors that prepared the environment for Turkey's membership to NATO.⁷⁸⁶ Another factor raised by the politicians of the era and later by various researchers⁷⁸⁷ was Turkish soldiers' successful contributions during the Korean War.

Korean War was a milestone for Turkey's acceptance as an important factor in military battlefields. In contrast to the idealist explanations of the Turkish policymakers that equated the cause of Korea with Turkey⁷⁸⁸, the American diplomats defined Turkey's participation in this war as totally a political act. By this participation the Turkish policymakers expected to gain various advantages top among which was admission to NATO. The American officials, while pointing out Turkey's loneliness "in this theatre", also added that the USSR was preparing to pay a very big price for Turkey's neutrality in the Cold War context.⁷⁸⁹

Turkish public as well as policymakers were enthusiastic about the "high" performance of Turkish soldiers in the Korean War. Regarding Turkish soldiers performance in the Korean War the official papers referred to the importance of seeing that the Turkish soldiers had the

⁷⁸⁶Özdağ, Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali, p.36.

⁷⁸⁷see Gönlübol, "NATO, USA and Turkey" in Karpas, Turkey's Foreign Policy in Transition, 1950-74.

⁷⁸⁸See Program of the Fourth Menderes Government

⁷⁸⁹Top Secret Memo from Kuniholm to the Ambassador, January 18, 1951, RG 84, Foreign Service Posts of the Dept of State, Turkey, Top Secret General Records, 1947-49.

ability to participate in a multi-national defense organization and fight along with soldiers from other countries.⁷⁹⁰ The British Ambassador's report while raising the same issue and emphasizing the increasing prestige of the Turkish soldiers, also revealed how the allies regarded this performance. According to the British Ambassador, still "1914 mentality" dominated the Turkish army.⁷⁹¹

Turkey's entrance to NATO, in short, was one of the most interesting episodes between the small ally and the advanced big allies. While her low industrialization level was an obstacle for her membership, later on parallel to the increasing importance of conventional forces and need for more military bases in the scope of the concept of "ringing of Russia by bases"⁷⁹² Turkey became an important component in the global defense system. Under the pressure of the Soviet threats, as well as the deep-rooted psychological feelings towards the USSR, the Turkish public and politicians welcomed NATO membership. This was regarded as a great victory. Turkey continued to share these views until mid-60s. But in the midst of questioning the foreign policy and its objectives, a growing anti-NATO ferment commenced parallel to the increasing anti-Americanism.⁷⁹³

As NATO membership brought new responsibilities in the course of alliance various criticisms were raised regarding the burden of the membership, nationality of the army, success of the aid with respect to dependency of the countries on foreign countries for defense equipment, appropriateness of the provided arms as well as accuracy of training of Turkish

⁷⁹⁰Policy Statement of Turkey 1951, RG 59, General Records of the Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50.

⁷⁹¹Bağcı, *Demokrat Parti Dönemi Dış Politikası*, p. 49.

⁷⁹²Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.43.

⁷⁹³Gönlübol, "NATO, USA and Turkey" in Karpas, *Turkey's Foreign Policy in Transition, 1950-74*, p.14.

soldiers by American officials.⁷⁹⁴ These sorts of criticisms were valid even in the initial years of the aid. In the process, however, the increasing anti-Americanism parallel to an increased anti-NATO ferment was observed. The estranged public expressed its antipathy views regarding the USA and NATO around the concepts of dependency, loss of independence or “non-national army”. While until the Cyprus crisis of 1963 these concepts were mostly recognized as the terminology of the leftist circles, after this crisis they began to be expressed more widely by the public. Conflicting perspectives on the military issues could be categorized as those related to the US military program in general and NATO in particular.⁷⁹⁵

What lied at the core of these conflicts was the incompatibility of the expectations of the Turkish policymakers and public with the role that the US determined for Turkey. In that respect, the discrepancy between the expectations of Turkish military and the training program that was provided in the framework of military aid turned to be a serious issue.

According to the memoirs of the military officials, training of the Turkish military officials by the American personnel was an important issue that fostered feeling of antipathy towards the USA and the DP governments. The gap between the expectations of the Turkish military officials with the envisaged role for Turkey lied at the core of the confrontation. In the case of Turkey, training of the military officials by foreign officials represented continuity between the Ottoman Empire and Turkish Republic. The new aspect related to the NATO objective, however, was that in contrast to the past when the training was provided by the experts of different countries, in the post-WW2 era this was provided by the American experts.

⁷⁹⁴Secret Minutes Meeting Of Representatives Of State, War And Navy Departments to Consider The Report of the USA Survey Group to Turkey, July 22, 1947, RG 59, General Records of The Department of State, Records of the Office of Greek, Turkish and Iranian Affairs, 1947-50; Journal of TBMM Records, Term 2, Meeting 2, Volume 13, 18 February 1967; Journal of TBMM Records, Term 8, Meeting 3, Volume 16, 23 February 1949.

⁷⁹⁵see Parliamentary Debates after 1962; Hale, 1789’dan Günümüze Türkiye’de Ordu ve Siyaset, p.92; Harris, “Turkey and the United States” in Karpas, Turkey’s Foreign Policy in Transition, 1950-74, p. 56.

Initially the program was regarded more as a supply of arms than training, though the latter was available also. Flow of the arms commenced in the following years, but as early as 1952, half of the supplied arms were broken and out of service. American officials explained the reason for this as improper usage and maintenance. Facing this, the US officials decided to give more emphasis on the training of the military. In this training the US officials emphasized an extensive reform. New schools covering technological know-how opened for land, sea and air forces of the military. The military officials were sent abroad for training. Besides, in order to enable the promotion in ranks according to merit, not seniority, a personnel unit was established in the Chief-of –Arms and the higher ranks of the military commandship were modernized. Their number reduced to four under the Chief-in-Arms as Land, Air, Navigation and Gendarme. In the scope of these activities, military inspectorship was also eliminated.⁷⁹⁶

Though these reform attempts were welcomed initially in the process, Turkish Armed Forces reacted to these as they regarded them the USA’s attempts to destroy the main traditions that the Turkish military relied on and to penetrate to the fundamental basis of the existing institutions. Particularly arrangements regarding the War Academy became a bone of conflict between two countries. Due to this, the military circles in Turkey increasingly began to equate the military aid program as a means to justify the interference of the USA into the Turkish Armed Forces.⁷⁹⁷

The problem related to the War Academy, in fact, was the clash of the objectives of the two countries regarding the military aid program. The US attempted to reduce the education in the

⁷⁹⁶Hale, 1789’dan Günümüze Türkiye’de Ordu ve Siyaset, p.92; Harris, “Turkey and the United States” in Karpat, Turkey’s Foreign Policy in Transition, 1950-74, p. 56.

⁷⁹⁷Özdağ, Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali, p. 38-40.

War Academy to only one year and suggested a simple education program aiming to graduate only battalion commanders. This was against the expectations of the Turkish Armed Forces since they wanted at least a three-year education that would enable the graduation of high quality staff officers. This issue was the first crucial confrontation between the American and Turkish officials in the field. The importance of the issue is revealed from the fact that the American high-rank officials tended to define this one-year education arrangement as a condition of continuation of the military aid to Turkey. The insistence of the US administration on the issue was justified by the rationale that as the Turkish military would not get involved in an overseas expedition or a wide-scale guerrilla war and as it would be dispatched as battalion units, there was no need for a three-year education period. At the end of the bargains, terms of education were reduced from three to two years.⁷⁹⁸

The US administration, while disregarding other criticisms, also concerned itself with the financial burden of the membership of Turkey parallel to the excessive indebtedness of the country in 50s. In addition to many other factors, the US administration questioned the impact of the on-going military program on Turkish economy. Regarding the deterioration of the Turkish economy, the Secretary of the State asked whether Turkey was trying to carry out a “too big” military program that exceeded the capacity of her economy. American Ambassador in Turkey confirmed the accuracy of this view but this “bigness” was not due to the US military programs as the US was careful to carry out fairly modest programs in Turkey. He defined Turkey’s NATO membership as the reason that made the military expenditures a great burden in the Turkish budget. As a NATO member, an accelerated military build-up started with an attempt to bring Turkish forces quickly up to NATO standards. The

⁷⁹⁸Ibid. p. 40-1; Interview with Feridun Akkor, Cumhuriyet, 6 December 1967 quoted by Avcioğlu, Türkiye’nin Düzeni: Dün, Bugün, Yarın, 1. Cilt, p.554-5; see also Orhan Erkanli and Emin Aydemir’s books.

Ambassador criticized that there had never been any real study of the ability of Turkey's economy to support an expanded military program of this size.⁷⁹⁹

Though these criticisms refer to various aspects of the military aid, Turkey's increased dependency on the superpower was not on the agenda until the President of the superpower reminded it. Provision of arms mainly from the USA as well as training of the Turkish military officials by the American technical personnel led to an increasing dependency. Johnson reminded the Turkish government of the scope of freedom that Turkey enjoyed as an aid recipient country. The most traumatic aspect of Johnson letter was its reminding that Turkey could not use the arms that she provided by the US aid funds without the approval of the USA. As already mentioned, this warning of the President compelled the Turkish politicians and public to face the reality of excessive dependency on the big ally. Debates on the question of dependency as well as "nationality" of the military forces fused.

Related to the dependency issue, critics emphasize that while the staff, food and cloth of the Turkish Armed Forces were provided domestically its rockets, telephones, wireless phones and plane apparatus were provided from abroad. In the criticism of dependency on the USA it was mentioned that the US administration reinforced its empowered stance vis-à-vis Turkey by the 4th article of the Aid Agreement, which assured the usage of arms by the approval of the US administration. Critics defined the most dangerous outcome of this relation as tying of Turkey's future to the will of the USA since Turkey ceased all her endeavors to create a

⁷⁹⁹Confidential Informal Record of Meeting with the Secretary and Undersecretary on Turkey's Loan Request and General Economic Conditions, April 29, 1955, RG 84, Foreign Service Posts of the Dept of State, Turkey, Ankara Embassy, Classified General Records 1950-52.

national defense industry after becoming of an aid recipient country. This was defined as the concrete proof of neo-imperialism of the post-WW2 era.⁸⁰⁰

These debates led to another debate regarding the nationality of the army. Moving from the above-mentioned dependency features, ‘non-nationality’ of the Turkish military began to be discussed. In refutation to the ruling party, who refused that Turkish army was a non-national army, advocates of the concept enumerated the main features of the national army. First condition of an army’s being a national one was defined as the freedom of usage of its arms whenever and wherever it desired without any conditions. As Turkey lacked such a freedom of action, these critics concluded that Turkish army’s persisting profile did not fit the definition of the national army.⁸⁰¹

While these were the debates related to the US military aid program, Turkey’s membership to NATO was highly debated in 60s also. In addition to the questioning due to the Cyprus issue, the fact that by 1969 any member country that desired to withdraw could withdraw from NATO was an important factor in this intense questioning. Criticisms regarding Turkey’s NATO membership focused on obligations to be fulfilled as a NATO member, prevailing low standards of the Turkish military forces, ceasing of all endeavors to establish a national defense industry as well as disclosure of all national secrets to center countries.⁸⁰²

⁸⁰⁰Journal of TBMM Records, Term 2, Meeting 4, Volume 33, 17 February 1969; Journal of TBMM Records, Term 2, Meeting 2, Volume 13, 18 February 1967; Journal of TBMM Records, Term 2, Meeting 1, Volume 4, 24 February 1966.

⁸⁰¹Journal of TBMM Records, Term 2, Meeting 4, Volume 33, 17 February 1969.

⁸⁰²Journal of TBMM Republican Senate Records, Term 1, Meeting 5, Volume 31, 6 January 1966.

By NATO membership Turkey was obligated to coordinate her defense plans with the plans of the European armies under an international command. This obligation was soon severely criticized, as the exclusive planning for the country's protection, functioning of Turkish forces and their deployment by the country itself became impossible by this obligation. Though Turkish units in peacetime were to remain under the national commanders, their armament, doctrine and organization had to be brought into harmony with her allies.⁸⁰³ Like the military forces of other member countries, as a result of these obligations, Turkish army lost its autonomous stance to a great extent. In its connection to NATO command mechanism, Turkish Armed Forces would be under the command of the European Commandership. This Commandership was under the command of the European High Joint Commander headquarters of which was in Paris.⁸⁰⁴

The increasing criticisms about NATO were focused on the reason of Turkey's tying of her destiny to the NATO by putting all her military forces under the NATO commandership. Critics of this aspect reminded that this was an issue that was highly debated in 1953-4 and those who resisted these arrangements among the high-rank soldiers were purged from the military. The most important negative outcome of the NATO membership was total indifference to the establishment of national defense industry. In addition, the increased relations with the Western powers led to the disclosure of all national secrets.⁸⁰⁵

Despite its negative impact on Turkish economy, the NATO programs did not attain the objective of increasing the level of Turkish Armed Forces' standard to NATO standards

⁸⁰³Harris, *Troubled Alliance: Turkish-American Problems in Historical Perspective, 1945-71*, p.49.

⁸⁰⁴Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*, p. 37.

⁸⁰⁵Journal of TBMM Records, Term 2, Meeting 2, Volume 13, 18 February 1967; Journal of TBMM Republican Senate Records, Term 1, Meeting 5, Volume 31, 6 January 1966.

either. As the reason of this critics referred to the disproportion of allocations of various member countries. While the allocated amount for the military forces of other members was TL 65 905 in average, this was reduced to TL 6 770 for the Turkish Armed Forces. Criticisms focused on the outcomes of these disproportionate allocations. Due to these, the Turkish Armed forces could not reach even the minimum standards of NATO.⁸⁰⁶

Debates regarding Turkey's remaining as a NATO member or not intensified in the process. At the end, the predominant view was to remain as a NATO member but by improving conditions of the membership. Besides, a consensus was reached on the necessity of establishment of the national defense industry.⁸⁰⁷ Turkish policymakers also agreed on the elimination of all factors that endangered the national independence of the country, such as difficulty of entrance to the NATO bases in Turkey even by the high rank authorities.⁸⁰⁸

As this brief analysis reveals the US and Turkey relations on military issues were not free from tensions either. While 50s witnessed a low-profile confrontation, in 60s frequency of the confrontations increased. Being a neighbor of the superpower of the Socialist Bloc, Turkish policymakers and public were very sensitive on the issue of defense and national security. Therefore, they were very enthusiastic and willing to receive military aid from the USA and to be a part of any of defense pact that the Western Bloc countries established. Both of these factors served their feeling of security. The country was not only a part of a strong "community" but also had the assurance to be "protected" against the Soviet aggression.

⁸⁰⁶Journal of TBMM Records, Term 2, Meeting 1, Volume 4, 24 February 1966.

⁸⁰⁷Ibid.

⁸⁰⁸Journal of TBMM Records, Term 2, Meeting 1, Volume 1, 7 November 1965; Journal of TBMM Records, Term 2, Meeting 1, Volume 1, 8 November 1965.

This was the dominating opinion regarding Turkey's participation in the Western Bloc and being an aid recipient country. The illusionary aspect of the feeling of security or being a part of the strong community, however, was grasped during the Cyprus crisis of 1963. Turkey faced the reality that what she relied on military terms lacked a sound basis since she was denied of the right to use the arms provided by the US military aid. The Turkish politicians and public also faced the reality that all the sacrifices or obligations that they had to bear as a NATO member were also in vain as the Organization would not extend its support to its strategic member at any time. This support would only be extended when the allies of Turkey thought that it was crucial for their own interests.

II. India in World Affairs (1947-73)

The post-WW2 era indicated new beginnings for both the USA and India. While the USA emerged from the WW2 as the superpower of the capitalist Western bloc, India gained her independence after a six-decade-long bloodless national movement. Proud of their Independence which ended the colonial “yoke” of the British, the Indian policymakers announced their dedication to preserve the country’s political and economic independence. They began to mold India’s foreign relations accordingly, particularly with the West. When the new world order presented the USA as the new superpower, India expressed its sympathy, as India and the USA had a common colonial background. Besides, the USA differed from other western countries, as she did not have colonies. This feature of the USA was highly appreciated by the Indian policymakers. Despite these sympathetic concerns, however, they had reservations as the USA belonged to the West and stood as the hegemonic Western power of the new world order.

Time proved the appropriateness of these reservations. In a relatively short time the USA and India confronted concerning some strategic issues which were derived from their stance in the world order, role in international division of labor and national preferences in foreign affairs. While some of the confronted issues were time-free as they were related to the dichotomy between the center and periphery, others became meaningful and alarming in the post-WW2 context when the Cold War was the international setting. The interaction between the USA as the superpower and India as the newly independent largest peripheral country is examined with special reference to these confrontations.

a. The USA-India Confrontation on Economic Issues

Demands of the Superpower and Their Timing:

The Indo-American confrontation on economic issues had various dimensions. The USA as the superpower had objections to the development strategy, mixed economic system, socialist rhetoric, arrangements regarding foreign private capital, foreign trade as well as import substitution policy. Nayar defines this as the hostility of the center against the rise of competing industries.⁸⁰⁹ Though in essence all of these were related to the dichotomy between the center and the periphery, some of them were irritating due to their ideological connotations in the Cold War context, such as attainment of socialist order through continuous expansion of the public sector.

Except the initial few years, Indian policymakers adopted heavy industrialization led developmental strategy. Believing India's positive differentiation among the LDCs by its relatively high industrialization level, Indian policymakers defined modernization through heavy industrialization as the ultimate national objective. Their motto was 'either industrialize or perish'.⁸¹⁰ In addition the idea of self-sufficiency, they equated high industrialization level with strong defense basis. Besides, they shared the belief that only heavy industrialization could absorb the surplus labor force. Referring to the abundance of labor force in the country, the policymakers claimed that agriculture had a limited absorption capacity. Moving from this rationale, Indian policymakers defined heavy industrialization as the security valve of the country.⁸¹¹

⁸⁰⁹Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development*, p.131.

⁸¹⁰Nambudiripad, *Economics and Politics of India's Socialist Pattern*, p.20.

⁸¹¹Constituent Assembly of India, 1948-49 FY Budget Debates, 5 March 1948, p.1674; Constituent Assembly of India, 1950-1 FY Budget Debates, 8 March 1950, p.1294; Restricted Report on The Agrarian Problem of India, Department of State, Office of Intelligence Research, 8 March 1951, RG 469, Records of US Foreign Assistance

The USA, on the other hand, extended partial support to this objective. While the US administration agreed on the India's objective of modernization, it objected to the means for this end. Without disregarding the industrial establishment of India, the US officials defined Indian policymakers' belief about India's industrial structure as overoptimistic. They referred to the WW2 time impetus in Indian industry as the main factor behind this overoptimism. According to the Indian policymakers, India was an emerging industrial nation of Western magnitude rather than supplier of agricultural raw materials. Relying on the predominant proportion of the agricultural materials in the exported items as well as comparative advantage principle, the US administration suggested agricultural-led strategy along with certain light industries, predominantly consumer goods industries.⁸¹²

This pro-agriculture and pro-consumer industry stance of the USA was revealed in the utilization of the American aid. In 50s the US aid allocations were largely devoted to agriculture, most directly to increase food production considerably. Besides in every platform including country negotiations with the international agencies, private meetings, of policy documents, the US administration called for a more realistic interpretation of resources and shifted the locomotive sector from industry to agriculture. Parallel to this, consistent with the conditions of agreements, the American aid to India was mostly earmarked to consumer goods industries. Through this earmarking the US administration aimed not only at promotion

Agencies, 1948-61, Far East Division South Asia Country Subject Files, 1950-52, India: Agriculture and Agricultural Commodities.

⁸¹²Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57; Restricted Country Study on India by Interdepartmental Advisory Council on Technical Cooperation, June 1951, RG 469, Records of the US Foreign Assistance of Agencies, Far east Program Division, South Asia Country Subject Files, 1950-2, India: Agriculture & Commodities, Box 5; Kumar, State and Society in India: A Study of State's Agenda-making, 1917-77, p.90-1; Payer, The Debt Trap: The IMF and the Third World, p.171; Swamy, The Political Economy of Industrialization: From Self-Reliance to Globalization, p.70 ; R.K. Sharma, "A Comparative Study of Soviet and American Economic Assistance to India" in Sharma, ed., Indo-Soviet Cooperation and India's Economic Development, p.29; Desai, "Contribution of Soviet Cooperation to India's Economic Development", p.58.

of consumer goods industries but also at a culture of consumerism. This preference of the superpower had important contributions to the pseudo-industrial structure that India had at the end of the process.⁸¹³

Disapproval of the USA of India's heavy industrialization driven development strategy crystallized when the Western countries declined to finance the Second 5 Year Plan. Though the general idea was the center countries' refusal to finance the Plan, some socialist leaders in India claimed that India withdrew its appeal when the capitalist center countries asked for military bases in India, as well as its participation at military pacts. In the face of negative developments regarding financing of the Plan India appealed to the USSR. The USSR supported the Plan and extended both financial aid and technical support to India. In the scope of the first economic aid agreement between the USSR and India, signed on 2 February 1955, India constructed the first major plant in the public sector, namely the Bhilai Steel Plant. This first contribution to the public sector was, in fact, reflected the nature of the Soviet aid in the process. In contrast to the earmarking of the western aid mainly to consumer goods industries in private sector and infrastructure, the Soviet aid had considerable contributions in laying foundations of heavy industry in the public sector.⁸¹⁴

⁸¹³Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57; Restricted Country Study on India by Interdepartmental Advisory Council on Technical Cooperation, June 1951, RG 469, Records of the US Foreign Assistance of Agencies, Far East Program Division, South Asia Country Subject Files, 1950-2, India: Agriculture & Commodities; Kumar, *State and Society in India: A Study of State's Agenda-making, 1917-77*, p.90-1; Payer, *The Debt Trap: The IMF and the Third World*, p.171; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.70 ; Sharma, "A Comparative Study of Soviet and American Economic Assistance to India" in Sharma, ed. *Indo-Soviet Cooperation and India's Economic Development*, p.29; Desai, "Contribution of Soviet Cooperation to India's Economic Development" in Sharma, ed. *Indo-Soviet Cooperation and India's Economic Development*, p.58.

⁸¹⁴Vinod Bhatia, *Jawaharlal Nehru: A Study in Indo-Soviet Relations*, New Delhi: Panchsheel Publishers, 1989, p.119-20; M.K. Ganju, *Indo-Soviet Trade Relations*, New Delhi: Mittal Publications, 1991, p.87; Kumar, *State and Society in India: A Study of State's Agenda-Making, 1917-77*, p.90-1; Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.114.

The private sector orientation of the American aid reflected another confrontation with the superpower and the peripheral country. Expansion of the public sector was frequently defined as a factor that impeded economic development of the country. When India appealed to the USA or international agencies for foreign aid for the implementation of the development plans, the expanded nature of the public sector was criticized. Besides, in all policy documents for the improvement of the Indian economy, again the center countries expressed the expansion of public sector as a negative and unsound indicator. Defining their criticism of the public sector as the byproduct of conventional wisdom, the center countries asked for the downgrade of the public sector while creating an appropriate environment for the promotion of private capital. The US administration in its negotiations with the Indian policymakers until 1959 underlined that no economic aid would be extended to state-owned industrial and mining enterprises regardless of the size of the economic crisis that India faced, except in rare cases.⁸¹⁵

The frequently raised demand for a pro-private sector environment was crucial on various grounds. First of all, the center countries identified the public sector expansion as a policy that created an environment modeled on the Soviet economy. This identification was enhanced by PM Nehru's vision of attaining a socialist social order through the expansion of the public sector. In addition to this, the USA as the mouthpiece of the Western center countries asked for the creation of pro-private capital environment for not only the sake of Indian but also foreign private capital. Referring to the immense gap between the low standard of living and greatness of India's economic potentials, the US administration regarded India as a promising

⁸¹⁵IMF & the World Bank's Policy Papers, 1958, 1959, 1966, 1971; Payer, *The Debt Trap: The IMF and the Third World*, p.170-1; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.60, 69, 72,76; Malhotra, *Indira Gandhi: A Personal and Political Biography*, p.94; Ganguly, "US-Indian Relations During the Lyndon Johnson Era", p.84.

big market as well as a country offering vast employment opportunities for American technical and administrative staff.⁸¹⁶

Moving from this view, the US administration defined its task as creating a favorable environment in India for her capitalists to exploit the potentials at maximum levels. Her policies were shaped accordingly. When India appealed to the Aid Consortium which was set up at the initiative of the USA and the WB in 1958 and initially comprised the US, the UK, Germany, Canada Japan, the WB and the IMF for a considerable amount of aid, she faced assault concerning the public sector industries. While criticizing the Indian development plans as over-ambitious and unrealistic, the center countries expressed their displeasure over the high priority assigned to the public sector. They regarded this as neglect of private enterprise both Indian and foreign. During the 1966 negotiations the same displeasure was repeated and India was asked to provide ample scope for both indigenous private enterprise and private foreign investment.⁸¹⁷

Countries at the center exerted pressure for an appropriate environment to their private capitalists who were in pursuit of assured markets for their products. The peripheral countries, on the other hand, faced this demand with caution to preserve their interests. Though they adopted hostile rhetoric and protective policies against the foreign private capital, at the end, in the midst of structural problems of their economy such as low domestic saving, shortage of foreign exchange and urgent need for foreign exchange to meet their importation needs they left these hostile rhetoric while involving in arrangements with the foreign countries for easy functioning of the foreign private capital in their countries. India was not a different case.

⁸¹⁶Secret Communication from American Embassy to the Secretary of State, 18 March 1949, RG 84, Foreign Service Posts of the Department of State, India, New Delhi Embassy, Confidential File, 1949.

⁸¹⁷Ibid.; Walter K. Andersen, "US-Indian Relations, 1961-3: Good Intentions and Uncertain Results" in Harold A. Gould & Sumit Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, Boulder: Westview Press, 1992, p.72.

The radical rhetoric that Indian policymakers adopted against foreign private capital was shaped during the national movement. The basic theme of the national movement was the economic destruction of the colonial era's exploitation. As the source of discontent, foreign private capital and their activities were theorized as the drain theory. Main premise of the drain theory was exploitation of the considerable part of the India's national income and the material by the English to be used for the benefit of their people. The imperial interests of Britain that disregarded any Indian interests shaped this drain process. They hoped that by Independence a new era commenced in India which would end this drain process.⁸¹⁸

Yet, the Indian policymakers were realistic enough to accept that it was not easy to stop this process in India where foreign capital had deeply penetrated into every field of economy. By Independence, foreign capital's share in Indian economy was very high. Petroleum (97 %), rubber factories (93 %), light railways (90 %), matches (90 %), jute (89 %), tea (86 %), coal (62 %), and other minerals including gold and magnesium (73 %) were nearly under total domination of foreign capital. Banks and financial institutions (46 %), electrical industries (43 %), engineering industries (33 %), coffee plantations (37 %), food industry (32 %), paper and cardboard (28 %) were other fields where the foreign capital had considerable share. In contrast to this, in industries such as sugar (24 %), cotton (21 %) and cement (5 %), which were consumed by domestic market, the domestic capital had a predominating position. Foreign capital also had a strong influence on financial, banking and commercial operations and exerted its influence via managing agencies.⁸¹⁹

⁸¹⁸Namboodiripad, *Economics and Politics of India's Socialist Pattern*, p.14-8.

⁸¹⁹Bettelheim, *India Independent*, p.60; Nageshwar Pandey, "An Appraisal of Western and Soviet Aid" in Sharma, ed., *Indo-Soviet Cooperation and India's Economic Development*, p.39-40.

Comparison of the proportions of the foreign capital during Independence with pre-Independence reveals that there was a decline in the total investment of foreign capital between 1947-74. The foreign capital focused on the most profitable consumer goods sector such as oil, drugs and pharmaceuticals, rubber goods, cigarettes, soaps and detergents, typewriters, batteries and bulbs, glycerine and explosives. The foreign capitalists had not entered capital goods industry, as it required huge investment and long duration for returning of profits. Besides, the decline in proportion did not lead to a decline in influence as the foreign capital enjoyed a high degree of concentration of production and capital, as well as technological superiority. Owing to these superiority fields some official documents of the Indian government reflected the importance of indirect control of the foreign capital through partnerships with the Indian capitalists. In its 1966 Report the Industrial Licensing Committee referred to the multinational corporations which directly controlled 18 % of the corporate assets. It warned that to assume that this proportion reflected all would be misleading since they reflected only the direct proportion. While this comprised one facet, the other facet was its indirect proportion in the Indian economy via its partnerships with the Indian capitalists. In a majority of these partnerships the foreign capital enjoyed dominance as the Indian capitalists dependent on its capital power, global connections as well as technological superiority.⁸²⁰

Parallel to the decline in the direct proportion of the foreign capital, another change occurred in the nationality of foreign capital. The Independence era witnessed the diversification of foreign capital with respect to nationalities. In the Indian context until late 50s foreign capital meant mainly the British capital. Yet the capitalists of the superpower challenged this omnipotent position of British capital. While the proportion of the British capital was roughly

⁸²⁰1966 Survey of Indian Licensing Committee on Foreign Capital; Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.132; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.114; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.13; Kochanek, *Business and Politics in India*, p.96-7.

82 % in 1948 this fell to 42 % by mid-60s. In contrast to this, the US share increased from 4 % to 25 % in the same period. The turning point for the USA capital was the Green Revolution of mid-60s by which the USA emerged as the most powerful component of foreign capital. The US capital's proportion increased in the successive years through joint ventures established with the Indian capitalists. Berberoglu claims that as a result of these developments the US capital had a dominant and controlling power on the 'commanding heights' of the Indian economy.⁸²¹

In this field of competition the USA enjoyed its superpower position that enabled her to activate certain mechanisms more efficiently. Foreign aid and funds of the international agencies were top among these mechanisms. In order to enable the efficient functioning of these mechanisms for the interests of foreign capital, particularly American capital, the USA did not miss any opportunity. Examination of the process reveals an increasing vulnerability of India vis-à-vis the concession sort of demands of the center countries owing to the narrowing vicious circle that she felt in the midst of her economy's structural problems.

Before examining the interaction between India's responsiveness to the demands of the center countries and economic crisis mainly aroused due to her economic structural problems, it is appropriate to refer to another confrontation between the center countries and the peripheral country regarding the other facet of foreign capital. While investments of foreign capitalists comprised one facet, the other was the foreign trade.

The import-substitution industrialization of India, like many other developing countries of the era, was at odds with the center countries ultimate objective of multilateral trade which

⁸²¹Berberoglu, "Class, State and Development in India in Historical Perspective" in Berberoglu, ed. Class, State and Development in India, p.18, 132-3; Swamy, The Political Economy of Industrialization: From Self-Reliance to Globalization, p.37, 113-4.

enabled the flow of goods free from restrictive policies. The ISI was a common policy nearly in all LDCs as they all suffered from a main problem, namely low capital accumulation. The inadequacy of capital accumulation vis-à-vis the development objectives led the Indian policymakers to adopt import substitution. Through analyzing the unfavorable position of agricultural goods which comprised the majority of India's export items vis-à-vis the industrial goods in the world market, the Indian policymakers concluded that by the exportation of traditional agricultural products such as jute, tea, and cotton textiles India could never manage to attain the envisioned big push. Sharing an export pessimism that resulted in neglect of exports, they decided that adopting the policy to save available foreign exchange would be more realistic in the Indian context.⁸²² This policy also fitted well to the expectations of the Indian capitalists who identified Independence as the exploitation of resources, as well as domestic market, by the nationalist capitalists.

As ISI challenged one of the main premises of the capitalist system, namely multilateral trade, the US-led center countries opposed to its adoption by the LDCs. The PT 4 program developed for the LDCs of Asia was aimed not only at development but, as stated by the US spokesmen, to fight all sorts of quotas that restricted free flow of goods. In the 1949 Indian-American Technical Agreement the US administration expressed one of its objectives from the program as to fight "import and export quotas of the Indian government." The sensitivity of the center countries on the issue revealed itself from all the adjustment programs of the IMF as well "conditionalities" of the World Bank. One of the basic measures in these was the slow-down of import substitution.⁸²³

⁸²²Deepak Nayyar, "The Foreign Trade Sector, Planning and Industrialization in India" in Byres, ed., *The State, Development Planning and Liberalization in India*, p.341; Khusro, "Development in the Indian Economy Since Independence", p.88.

⁸²³Srinivas C. Mudumbai, *United States Foreign Policy Towards India 1947-1954*, Manohar: [Pub.pl.], 1980, p.52; Khusro, *Unfinished Agenda: India & The World Economy*, p.59.

Examination of the process reveal that though the center countries expressed their disagreement with the ISI at every possible platform, their pressure regarding the issue intensified at the time of economic crises. In fact this was the unchanged strategy of the center countries on each confrontation. The US administration claimed the necessity of change in the locomotive sector from industry to agriculture in the initial years. This was justified by the comparative advantage principle and rational usage of the available resources. The tone of the center countries became harsher parallel to India's increased dependency on them in the midst of economic crises and severe foreign exchange shortages in 1958, 1964 and 1966. The heavy industrialization became the scapegoat that was defined as being responsible for the economic recession.⁸²⁴

Critics of this policy accused the Indian policymakers because of their neglect of agriculture in favor of industrialization. On this issue, the mid-60s was the turning point as the center countries and their agencies preconditioned the foreign aid to the shift in the locomotive sector to a great extent. This demand was raised at one of the most vulnerable times of the country when it necessitated 1.6 billion USD per year for the implementation of the fourth 5 Year Plan. While interpreting the failure of agricultural development policies with respect to the resistance of the rural elite, as donors of the Plan the center countries proposed adoption of modern inputs in agriculture, which as a policy served the attainment of food sufficiency, on the one hand, and did not challenge the interests of the rural elite. This was also the policy that led to a new form of dependency on center countries due to the requirement of huge

⁸²⁴Sukhatme, "Assistance to India" in Krueger, Michalopoulos, Ruttan, Aid and Development, p.209-10; Ganguly, "US-Indian Relations During the Lyndon Johnson Era" in Gould & Ganguly, ed., The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan, p.84; Swamy, The Political Economy of Industrialization: From Self-Reliance to Globalization, p.69, 76, 121; Payer, The Debt Trap: The IMF and the Third World,, p.171; Nayar, India's Mixed Economy: The Role of Ideology and Interest in its Development p.260; Malhotra, Indira Gandhi: A Personal and Political Biography, p.94.

amounts of imports, covering items such as high yielding seeds, chemical fertilizers and pesticides.⁸²⁵

Concerns regarding the liberalization of foreign trade had the same fluctuating course. Their demands turned to be pressures during time of crisis by the justification that India's problem was controls in foreign trade as well as uncompetitiveness of her exported goods. Related to this, in every structural adjustment program of the IMF and conditionalities of the WB center countries exerted pressure for devaluation of rupee on grounds that by such a devaluation Indian export goods became more competitive in the world market.⁸²⁶

There were two devaluations in the period under study. First was in 1949, which was taken under the British influence as a part of the Commonwealth. The second was in 1966 when India faced the most important economic crisis after Independence, distinguished by the severest foreign exchange shortage and followed by economic recession. In addition to the natural disasters such as successive droughts, what aggravated the situation was the suspension of US aid during the Indo-Pakistan War of 1965. Under these circumstances the Indian government appealed to the center countries for foreign aid. Though in principle the countries did not have any objections, they conditioned the foreign aid to devaluation of rupee. In June 1966 India devalued the rupee by 36.5 %.⁸²⁷

⁸²⁵Ibid.

⁸²⁶Ganguly, "US-Indian Relations During the Lyndon Johnson Era" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.84; Sukhatme, "Assistance to India" in Krueger, Michalopoulos, Ruttan, *Aid and Development*, p.209-10; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.76; Payer, *The Debt Trap: The IMF and the Third World*, p.174-5.

⁸²⁷See Constituent Assembly of India Debates, Motion re: Devaluation of the Rupee, February-March 1949; Payer, *The Debt Trap: The IMF and the Third World*, p.174-5; Kumar, *State and Society in India: A Study of State's Agenda-Making, 1917-77*, p.126-7; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.76; Sukhatme, "Assistance to India" in Krueger, Michalopoulos, Ruttan, *Aid and Development*, p.209-10; Malhotra, *Indira Gandhi: A Personal and Political Biography*, p.94; Ganguly, "US-Indian Relations During the Lyndon Johnson Era" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.84.

Among the confronted issues between the center and the periphery the stance of the superpower differed in dealing with the dichotomy between public and private sector. Until 1959 the center countries frequently expressed their discontent with the expansion of the public sector in India. This expansion was more alarming in the Cold War context when Nehru defined expansion of the public sector as the ultimate means to attain a socialist social order in India. Regarding this expansion highly ideological, the center countries used every opportunity to express their disagreement with the Nehruvian ideal. They condemned the development plans as they endowed the public sector with the quality of being the locomotive. In contrast to Indian policymakers appraisal of the public sector, the US administration defined the public sector as an impeding factor for economic development due to its inefficiency. Accordingly, they earmarked the foreign aid to the private sector. During the foreign aid negotiations in September 1957 the US administration explicitly announced that the US had no economic aid for state-owned industrial and mining enterprises except in rare cases.⁸²⁸

Yet an important shift occurred in 1959 when the US administration redefined the priorities in the foreign aid policy of the USA. This indicated a shift from military to development priorities justified by the rationale that unless the USA filled the gap, the vacuum would be filled by the USSR. India stood as a peculiar case in this redefinition due to the striking achievements of China in economic development in contrast to the India's increased economic problems. As the USA considered India as a countervailing model in Asia, these increased problems challenged the basis of this formula. The theoretical basis of this

⁸²⁸Payer, *The Debt Trap: The IMF and the Third World*, p.170-1; Ganguly, "US-Indian Relations During the Lyndon Johnson Era" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.84; Malhotra, *Indira Gandhi: A Personal and Political Biography*, p.94; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.76.

redefinition was provided by the economic thought of Rostow and Max Millikan, which also shed light on the evolving stance of the US on some basic issues.⁸²⁹

In contrast to the early 50s when the economic thought of Rostow and Max Millikan was undermined by the US administration, in late 50s it was widely accepted by it. Developed as an international version of trickle down, Rostow-Millikan supported a diffusionist model for the Third World. In this scheme, Rostow endowed a special status for India, as it could be the best testing area for these principles. The comparative advantage of the country in this respect was its abundant natural resources, democratic system and political stability, despite all divergences. Attainment of successful outcomes regarding economic growth would make India a perfect non-Communists diffusionist model.⁸³⁰ In the Cold War context this was crucial as the increasing number of people in Asia, referring to the successes of the USSR and China, began to identify totalitarian regimes with welfare.

The Rostowian thought also had some components that led to a moderation in the USA's stance on various issues. In his definition of the public sector as the main preparatory factor for an environment for private sector, Rostow underlined the necessity of considering the local context. In this claim, Rostow did not assign priority to the public sector. Instead it acted as a preparatory factor for the empowerment of the locomotive sector, namely the private sector. What he suggested was to take the initiative to support the public sector, which was otherwise funded by the "communist" bloc. While justifying aid to the public sector on this ground, Rostow also pointed out the private sector's role in the foreign exchange crisis of

⁸²⁹Anderson, "Needed: Active American Leadership Abroad", March 7, 1957. Paul Hoffman Papers, Subject Files, Box 73, Folder: Foreign Aid and Economic Assistance, 1955-57; Ruth Logue, History of the US Foreign Aid Since the WWII: A Report submitted to Federal Reserve Board, April 24, 1961. Huntington Papers, Harry Truman Library, Independence; Jeanne Kuebler, "Foreign Aid Overhaul", Editorial Research Report, Vol II, No. 23, December 19, 1962, p.925. Huntington Papers, Harry Truman Library, Independence; Dennis Merrill, Bread and the Ballot: the US and India's Economic Development, 1947-63, Chapel Hill: The University of North Carolina Press, 1990, p.140.

⁸³⁰Merrill, Bread and the Ballot: the US and India's Economic Development, 1947-63, p.153-5.

India. In order to enable an appropriate environment for the private sector that could enable it to lead the country to the take off stage, Rostow proposed filling the gap in foreign exchange reserves by providing funds.⁸³¹

As Rostow presented his model as a non-Communist Manifesto for economic development, he suggested a strategy to counterattack the Soviet strategy, which increased its credibility for the LDCs. Consistent with this model, the US began to allocate funds to the large-scale industrial infrastructure projects in India. The criterion in this was to support activities and units that served the empowerment of the private sector to fulfill its mission of being the locomotive sector. The criterion of allocating funds to the public sector was whether it led to the empowerment of the private sector or not.⁸³²

Parallel to this, the USA continued to allocate funds to mechanisms that served the reinforcement of the private sector such as establishment of the Industrial Credit and Investment Corporation of India in 1957. Modeled after the American Reconstruction Finance Corporation to channel loans to medium-sized private industries, this was a famous organization that channelized considerable amount of funds to Indian private industrial establishments. Besides, it used every means to create an appropriate environment for both indigenous and foreign private capital as revealed during the country negotiations for funds.⁸³³

The most important impact of the Rostowian economic thought on the Indian policymakers was while leaving the redistributive justice rhetoric, they adopted the trickle down principle

⁸³¹Ibid., p.153-5, 159,

⁸³²Walter K. Andersen, "US-Indian Relations, 1961-3: Good Intentions and Uncertain Results" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.72; Malhotra, *Indira Gandhi: A Personal and Political Biography*, p.94; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.76; Merrill, *Bread and the Ballot: the US and India's Economic Development, 1947-63*, p.156, 159, 163.

⁸³³Ibid.

on grounds that this led to the diffusion of wealth among the population. Though in the face of the danger of radicalization of the mass, Gandhi adopted a radical rhetoric emphasizing social justice, the political elite continued to shape their policies by the principle of trickle down. As Merrill points out, both the American and Indian policymakers assumed that by shaping the development policies by this principle along with injecting few hundred millions dollars aid and technical expertise the envisioned development level would be attained and India would become a shining star for the Asian countries while counterbalancing the Communist China.⁸³⁴

The honeymoon between the USA and India did not last long as revealed from the conditions of the aid allocations. The superpower never left the strategy to exert pressures on the peripheral country during economic crises. Besides, depending on the conjuncture developments such as Indo-Pakistan War of 1965, it suspended or delayed aid allocations to India. This policy line of the USA also indicated the degree of the US administration's devotion to the Rostowian economic thought. In contrast to the main premise of the Rostowian thought regarding timely injection of foreign capital, the US administration preferred to use the aid policy as a bargaining means. Analysis of the interaction from the perspective of donor-debtor reveals the frequent ups and downs depending on the confrontations on either diplomatic or economic issues.

Responsiveness of Indian Policymakers:

The important dimension in these confrontations was the degree of India's responsiveness to the pressures and demands of the center countries and international fund agencies. Examination of the process shed light on the fact that India's responsiveness to the demands

⁸³⁴Merrill, Bread and the Ballot: the US and India's Economic Development, 1947-63, p. 167.

of the center countries increased in the midst-of economic crises. In other words, the center countries attained concrete results for their suggestions at the time of the weakest economic situation of the less developed country. In this respect it can be concluded that prevalence of the chronic structural problems was a necessary evil for the center countries. It was during these vulnerable times that the policy makers could be circumscribed by the center. Yet to allege that there was a total submission would be misleading as seen in the Indian case. When the policymakers faced criticisms of the ruling elite components, as well as an aggravation of problems, they withdrew these policies.

The Indian policymakers faced criticisms regarding the locomotive sector of the development process from the very beginning. Benefiting from the Soviet concerns related to the country's development strategy, Indian policymakers undermined suggestions regarding a shift in the locomotive sector even when they faced the charge that the heavy industrialization was responsible for the low performance in economic development plans. Though they did not shift the locomotive sector, under the impact of the foreign exchange crisis of 1958 and the subsequent pressure from the World Bank, the proportion of the allocation for industry reduced in favor of agriculture. In contrast to the 19 % allocated for agriculture, community development and irrigation in the Second Plan, there was an increase in this figure, 23 %, in the Third Plan.⁸³⁵

Indifference of the Indian political elite to these recommendations lasted until mid-60s when they agreed on more allocations to agriculture. Yet to interpret this agreement as stemming from the recommendations of the center countries would be inaccurate. The successive droughts, severe food constraints, abject poverty that hit the rural areas, country's increasing

⁸³⁵Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.70.

dependence on foreign countries on foodgrains importation, huge allocations for this importation as well as widespread humiliation of the Indian people due to this dependency were the main internal factors that led to this agreement. The impact of the center countries in this process was their lobbying for the so-called Green Revolution in India as a solution to attain self-sufficiency in foodgrains. The political elite welcomed this strategy, as it necessitated no arrangements that would raise the anxiety of the rural elite about their landholdings. In contrast, this new strategy created a favorable environment for them to reinforce their position through credits, subsidies and inputs. This was a strategy that stood as an example of the center country's favoring of a component in the ruling elite coalition of the periphery. Commencing by this strategy, the commercialized farmers reinforced their position in the system, particularly in the resource allocation.

An irony of this strategy, on the other hand, reflected that benefit of the center countries was at odds with that of the periphery. The Ford Foundation justified the strategy on grounds that India attained self-sufficiency in foodgrains. Leaving the relatively low level of increase in agricultural production aside, the so-called Green Revolution established a dependency link on the center countries in the modern inputs including pesticides, high variety seeds and fertilizers. This made Indian agriculture more vulnerable to the developments in the world economy. As Sau and Swamy point out, forces of the Green Revolution exhausted in a few years as the success of this policy depended on liberal imports of these modern inputs. When foreign aid was dried up in 1968-69 the regional spread of the new agricultural technology was halted and growth of foodgrains production reduced. Besides, its economic burden

increased immensely parallel to the radical rise in oil prices by 1973, which affected the prices of these inputs negatively.⁸³⁶

Parallel to this policy recommendation, the Indian policymakers also faced constant criticisms regarding the expansion of the public sector. Until early 60s the USA was firm about not earmarking aid allocations to the public enterprises with the exception of infrastructure. When India appealed to the center countries for foreign aid in 1957, the US authorities informed them that allocations could not be earmarked to the public sector. Indian policymakers protested this policy suggestion of the USA and regarded it as a direct rebuff to India as the state-owned industrial production was the field precisely where aid was desired. India had a similar reaction when the WB asked for more incentives for the private capital.⁸³⁷

Since the private sector was accepted as the impetus in the capitalist economic systems, enhancement of the private sector in the aid recipient countries through foreign aid strategy was among the ultimate objectives of donors. Yet this objective aimed at the enhancement of not only the indigenous but also foreign private capital. Priority of the latter was evident from the center countries' objection to import substitution as it assured a protective market to the indigenous capitalists at the expense of the foreign private capital. The confrontation on foreign private capital and other related issues such as liberalization of foreign trade comprised an interesting episode between the center and the peripheral country.

Sensitivity of the Indian leaders on the issue of foreign capital was revealed during the national movement. The leaders identified Independence as a turning point that would end the

⁸³⁶Sau, *India's Economic Development: Aspects of Class Relations*, p.3; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.121.

⁸³⁷Payer, *The Debt Trap: The IMF and the Third World*, p.170.

drain of resources by foreign capitalists. Until early 50s the Indian policymakers adopted a moderate tone regarding the foreign private capital. PM Nehru underlined that foreign firms should not expect 'national treatment' which meant equal privileges recognized to local firms. In addition to this, arrangements were made to prevent foreign control of any major sector in Indian industry. This moderate tone of the Indian policymakers was reflected in the Industrial Resolution of 1948. Though the foreign capital was regarded as a necessity for the rapid industrialization of the country, the government brought the obligation that every proposal for new enterprises that involved foreign capital and management would have to be scrutinized and approved by the central government. In the same period the Indian policymakers did not show interest in the American diplomats search for certain guarantees for foreign private capital. In expressing their reluctance, the Indian policymakers mentioned that they preferred to seek foreign loans instead of foreign capital.⁸³⁸

Yet as the course of events revealed this was a short-lived policy that was replaced by pro-foreign capital policy. The sudden shift to a pro-foreign capital policy could be explained by the distinguished deficiency of the LDCs, namely low domestic savings. By the time of this statement, India faced a serious foreign exchange crisis. What aggravated the problem was the obligation to make huge amounts of foodgrains importation. In one of his pro-foreign capital statements Nehru referred to this deficiency and justified the necessity of foreign capital by its capital and technological superiority. By the recent decision of the GOI the foreign firms were allowed to earn and repatriate profits and be subject only to the same restrictions as Indian firms. Besides they would be subject to control only for a limited period. It was in the same period that Nehru mentioned about the "remote event of nationalization of certain industries"

⁸³⁸Confidential Memo from an Official to the Ambassador, 19 August 1949, RG 84, Foreign Service Posts of the Department of State, India, New Delhi Embassy, Confidential File, 1949; Tomlinson, "Historical Roots of Economic Policy" in Roy & James, ed. *Foundations of India's Political Economy*, p.296.

to stop the anxieties of the foreign capitalists.⁸³⁹ Following this date, although there were some attempts to increase restrictions on the foreign private capital until late 60s, these were short-lived as India faced same sort of economic problems.

The most challenging of these restrictive policies was the one in late 60s. In contrast to the expectations that the foreign capital would close the gap, due to high amount of remittances of dividends, profits, royalties and technical fees the foreign capital investments began to extract more foreign exchange than it brought to the country. This caused a serious drain in the investable resources of the country. Diagnosing this, GOI streamlined the procedure for foreign collaboration approvals and adopted a more restrictive policy covering limitation on the duration of licenses, exclusive use of the Indian technical expertise when available and high technology transfer. As the short-lived practice revealed, these precautions did not challenge the institutionalized interests of the foreign capitalists. So, in few years time the GOI abandoned these restrictions and adopted a liberal policy.⁸⁴⁰

Parallel to the increased dependency of the country on center countries to finance the development plans, the GOI intensified its endeavors to attract foreign private capital. Under these circumstances the foreign capital began to be thought as a means to close the foreign exchange gap and led to adequate savings which could be earmarked for industrial development. As persuasion, the GOI widened the scope of incentives covering tax exemptions, concessions, full freedom for the repatriation not only of profits but also of the principal of foreign capital. In leading center countries the GOI set up the Indian Investment

⁸³⁹Tomlinson, "Historical Roots of Economic Policy" in Roy & James, ed. *Foundations of India's Political Economy*, p.296; Vohra, *India's Aid Diplomacy in the Third World*, p.190.

⁸⁴⁰Chattopadhyay, "India's Capitalist Industrialization: An Introductory Outline" quoted by Berberoglu, *The Political Economy of Development: Development Theory and the Prospects for Change in the Third World*, p.150; Sau, *India's Economic Development: Aspects of Class Relations*, p.76; Nagesh Kumar, *Multinational Enterprises in India: Industrial Distribution, Characteristics and Performance*, London: Routledge, 1990, p.10-1; Swamy, *The Political Economy of Industrialization: From Self-Reliance to Globalization*, p.155.

Center Offices in 1961 to promote foreign investments in India. As revealed in statistics, the foreign capital was responsive to these endeavors. The proportion of foreign capital invested in India increased by time.⁸⁴¹

The apparent feature of the center on this issue was its demand for more concessions and its trying its best to get the most advantageous concessions for foreign private capital. Similar to other confrontations, timing of these demands concluded with the most vulnerable times for the peripheral country. During the negotiations for foreign aid in the midst of the foreign exchange crisis of 1958, the Indian government had to abandon the 51 % rule that assured Indian ownership in joint ventures, accept new tax concessions and establishment of foreign capital dominating joint ventures, permitted a permanent World Bank Mission in New Delhi in addition to the convertibility agreement with the USA providing for payment of profits in dollars. It also removed restrictions on some of the most profitable industries originally reserved for the State and enabled foreign capital's activity in these industries including drugs, aluminum, heavy electrical equipment, fertilizers and synthetic rubber.⁸⁴²

While these were arrangements for an appropriate environment for investment, the other dimension related to the foreign capital was the liberalization of foreign trade for the creation of an appropriate environment for open trade. While the center countries criticized ISI as this impeded multilateral trade, the periphery regarded it as a security valve that prevented the country's becoming an open market for foreign capitalists. As Payer points out, until the first

⁸⁴¹Annual Economic Report: India 1949, 13 February 1950, RG 59, Confidential US State Department Central Files, India: Internal Affairs, 1950-4, Microfilm, Reel 23 of 100; Amarchand, Government and Business, p.127-8; P.C. Roy, Indo-US Economic Relations: Trade, Economic Assistance, Private Investments, Problems and Future Possibilities, New Delhi: Deep & Deep, 1986, p.137-8; Namboodiripad, Economics and Politics of India's Socialist Pattern, p.264-5; Kumar, Multinational Enterprises in India: Industrial Distribution, Characteristics and Performance, p.9.

⁸⁴²Kumar, Multinational Enterprises in India: Industrial Distribution, Characteristics and Performance, p.9; Payer, The Debt Trap: The IMF and the Third World, p.171; Swamy, The Political Economy of Industrialization: From Self-Reliance to Globalization, p.60.

foreign exchange crisis of late 50s, which indicated the wiping out of the available foreign exchange resources, the Indian policymakers paid very little attention to the saving of available resources. Though the system was import substitution industrialization, as a result of the GOI's liberal policy in granting licenses the system was not able to save the savings. Instead it assured a protected domestic market to Indian capitalists.⁸⁴³

Despite the center countries' call for liberalization of foreign trade, the GOI never abandoned ISI until early 80s. The exception for the period under study was the short-lived liberalization at the time of 1966 devaluation to assure foreign aid from the center countries. Gandhi publicly supported this on grounds that liberalization of foreign trade led to the promotion of economic growth in the private sector. When the liberalized import system led to a rapid depletion of resources and aggravated the balance of payments problems the GOI abandoned it.⁸⁴⁴

In addition to the aggravation of balance payments an important determinant effective on the decision was the discontent and pressure of the Indian industrial capitalists who enjoyed a protected domestic market. Reaction and pressure of the Indian industrialists was important and indicative of their position vis-à-vis the center countries. It implied that center countries' demands could be undermined when it challenged the interests of the components in the ruling elite who were integrated to the world economy more than the others. The foreign private capital and demands for an appropriate environment for its activities such as liberalization of foreign trade, establishment of joint ventures, increase of incentives and ISI

⁸⁴³Payer, *The Debt Trap: The IMF and the Third World*, p.168.

⁸⁴⁴Sukhatme, "Assistance to India" in Krueger, Michalopoulos, Ruttan, *Aid and Development*, p.217; Nayyar, "The Foreign Trade Sector, Planning and Industrialization in India" in Byres, ed., *The State, Development Planning and Liberalization in India*, p.351; Khusro, *Unfinished Agenda: India & The World Economy*, p.58; Payer, *The Debt Trap: The IMF and the Third World*, p. 174-5, 177; Nayyar, *India's Mixed Economy: The Role of Ideology and Interest in its Development* p.260.

were crucial in that respect as they were the issues on which the interests of the center and the indigenous industrial capitalists were sometimes at odds and sometimes in full conformity.

Center countries endeavors for liberalization of foreign trade regime were challenged by the indigenous capitalists. The latter's challenge was crucial as it led to the undermining of the concerns of the center countries to a great extent. On the other hand, there were various issues on which the indigenous and foreign capitalists were in full conformity such as expansion of incentives such as tax concessions, subsidized inputs as well as exerted pressure for the creation of an appropriate environment for the private capital. Issues of conformity were, in fact, invalidated the fears of the indigenous capital, which they initially expressed. Both Nayar and Tomlinson point out the protests of Indian capitalists at the removal of restrictive measures regarding foreign capital.⁸⁴⁵ Despite this initial protest, the process proved their ability to create a synergy on common grounds for their own interests.

Ability of the foreign and indigenous capitalists to create synergy through establishing joint ventures as well as empowerment by the same expanded incentives had a very important strategic consequence with respect to the center- periphery dichotomy. Critics of foreign capital point out how successfully the foreign capital distorted the priorities of the Indian industrialization drive to a great extent. The GOI in the midst of foreign exchange crisis had to accept the conditions of the foreign capital and focused on industries that the foreign capital preferred to finance. In general they preferred consumer goods industries which ensured quick and high returns.⁸⁴⁶

⁸⁴⁵Nayar, *India's Mixed Economy: The Role of Ideology and Interest in its Development* p.223; Tomlinson, "Historical Roots of Economic Policy" in Roy & James, ed. *Foundations of India's Political Economy*, p.296.

⁸⁴⁶Payer, *The Debt Trap: The IMF and the Third World*, p.173; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.13.

As partners of the foreign capitalists in many industrial establishments, the Indian monopoly capitalists also served this end. Disregarding the idea of self-reliance and genuine industrialization, the Indian industrialists earmarked the resources to consumer goods which lacked any real productive value. In the memo submitted to the government during the preparation of Second Five Year Plan, similar to the center countries, the Indian monopoly capitalists criticized the Plan on grounds that it was overambitious. Instead of heavy industrialization drive, they demanded to make consumer goods industry as the locomotive of the economy along with agriculture.⁸⁴⁷

Acting by these priorities capitalists of the center countries as well as indigenous capital led to the establishment of pseudo-industrialization in India. This meant that, in the process, the type of the imported goods changed without reducing India's dependence on imports. In contrast to the expectations, India's dependency on imports increased considerably. This was an outcome related to the indigenous capitalists' lack of vision and innovative thinking and revealed itself in the nature of the ISI. Sethi categorizes Indian ISI as "imported" import substitution which was "dependence on imported technologies almost totally and repeatedly, instead of accompanying imports by its indigenisation, adaptation, modernization and after a while, its complete replacement through domestic Research and Development."⁸⁴⁸

The degree of influence that Indian industrialists enjoyed on the political elite about the continuation of protective foreign trade regime became more apparent by a development in mid-60s. This important development with respect to the foreign trade was due to the internal dynamics more than the pressure of the center countries. Until mid-60s Indian policymakers were insistent on ISI while neglecting exportation. The latter was mainly due to their export

⁸⁴⁷ see Nayar, *India's Mixed Economy: The Role of Ideology and Interest in Its Development*.

⁸⁴⁸ Sethi, *Indian Economy Under Siege*, p.51.

pessimism. Yet they had to leave their pessimism under the existing circumstances in the country. In mid-60s the Indian industrialists faced the problem of stalemate in the protected domestic market that they enjoyed under ISI. This stalemate was not something conjunctural but was due to the failure of the assumed trickle down of the wealth. As the majority lacked purchasing power to a great extent, they did not create a demand for products⁸⁴⁹ as well as they lacking a consumerist pattern of behavior. This led to another important development in the periphery, namely India's attempt to peripherize its neighbors through foreign aid. This was regarded as the fundamental policy to find markets for the Indian goods. The Indian policymakers adopted export promotion policy as the means to this end and the indigenous industrial capitalists were the main impetus in this new policy line.⁸⁵⁰

In sum, confrontation of the USA and India on economic issues was shaped mainly by the center-periphery dichotomy and had a repetitive course as the structural problems of the Indian economy prevailed. Foreign exchange crisis and increased dependency on the center countries enabled the center countries and agencies of the capitalist world to exert pressure on the peripheral country for its strategic concerns including liberalization of foreign trade, creation of an appropriate environment for private capital, both indigenous and foreign, as well as the shift in the locomotive sector of the economy from industry to agriculture.

The last concern of the center countries relied on the comparative advantage principle. India with its vast lands and variety of crops was advantageous in agriculture if she successfully applied modern technologies in rural India to increase agricultural productivity. In this context, the scope of industrial sector was limited to consumer goods sector. While criticizing

⁸⁴⁹Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.194-5.

⁸⁵⁰see Srikant Dutt, India and the Third World: Altruism or Hegemony, London: Zed Books,1984; Vohra, India's Aid Diplomacy in the Third World; Byres, ed., The State, Development Planning and Liberalization in India.

heavy industrialization drive as being responsible for the widening gap in the balance of payments, center countries recommended intensive agricultural activities. Yet, the irony of the latter policy was that it increased the dependency of India on the center countries as well as making the Indian agriculture more vulnerable to fluctuations in the world economy. Besides, this strategy, while making India a market for modern agricultural inputs, excluded majority of the rural population.

Recommendations regarding liberalization of foreign trade reflected the center's strategic and ideological concerns since protective economic systems impeded attainment of multilateral trade which was regarded as the main premise of the capitalist economy. The pro-private capital stance had the same notions, but it became more important due to the ideological connotations related to it in the Cold War context. Another demand, the devaluation of the currency was justified by the center as a policy that made the country's exported goods more competitive in the world market.

Political elite of the periphery, on the other hand, was reactive to these demands on grounds that they were against the country's interests. Though the political elite was mostly firm on these confronted issues, the narrowing vicious circle compelled the country to be responsive to the demands of the center countries. Yet this responsiveness was not the byproduct of the pressures of the center countries; instead it was a byproduct of the interplay of various dynamics including natural phenomenon, and wide discontent of the mass due to prevailing conditions. Its responsiveness in many cases did not cover the expectations of the center. Or, in cases when it covered all aspects, the periphery acted pragmatically and following the receipt of foreign aid, withdrew the policy. The apparent tendency of the center on these issues was that while it was firm on promoting an appropriate environment for the private

capital and activated mechanisms to institutionalize the interests of the foreign capital, it had a relaxed attitude regarding the ISI or the expansion of public sector as the system functioned in a manner of paving the way to the foreign private capital through partnerships and joint ventures to enjoy itself in the Indian market.

An important fact was that political elite was not the sole determinant in this interaction. Aware of this, the center successfully manipulated the concerns of different components in the periphery. In its lobbying for the Green Revolution of mid-60s it acted as a mouthpiece of capitalist farmers in demanding incentives for their activities. As these incentives had inflationary effects, the center created a common ground for its and other component's interests at the expense of the mass. Other component that created synergy with the center was the Indian monopolist capital. Enjoying the favorable environment the indigenous capital undermined the long-term development objectives of the country by focusing on consumer goods industrial sector due to its quick and high margin profits. Both the foreign and domestic capital assumed that through these consumer goods industries they promoted consumerist pattern of behavior among Indians.

Unattainment of this objective was regarded as the failure of the development programs which were to function by the trickle down principle. At that juncture Indian industrial capital drove the center of the periphery to another peripherization in its vicinity by relying on the same basic means of the center countries, namely foreign aid.

In shaping the post-WW2 era the main strategy of the superpower was foreign aid. Through this the US administration appealed to the basic deficiency of the LDCs, namely low domestic

savings. Justified foreign aid as an important factor for undertaking of development plans, the USA allocated aid resources mainly to the private sector, infrastructure and agricultural development. Though the US administration accepted the necessity of timely flow of foreign aid it was not the case for India. There were various ups and downs in the foreign aid of the USA, which became more meaningful in the Cold War context. These ups and downs were crucial with respect to the confrontation of the superpower and the peripheral country on diplomacy, which is the concern of following section.

b. The USA-India Confrontations on Diplomatic Issues

In the official papers of the USA India's importance was defined with respect to geopolitics, population and natural resources. India, which was the backbone of the British colonial system for two centuries, preserved its attractiveness in the post-WW2 era owing to its immense amount of natural resources including strategic materials such as mica, graphite, jute, kyanite, shellac, beryl and monazite derivatives, manganese ore, all of which were most useful in the defense industry of the USA,⁸⁵¹ cheap and abundant labor force, strategic location and huge market potentials. The Cold War context, however, augmented this attractiveness as in the polarized world order neither of the blocs wanted to lose the strategically important India.

Emergence of the People's Republic of China in 1949 increased the strategic importance of India. Alarmed by this development, the US administration began to consider India as an alternative model for the Asian people with its democratic system. After this emergence, the American officials defined the South Asia, particularly India, as a major battleground in the

⁸⁵¹Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57; Unclassified Memo from American Ambassador Chester Bowles to Director Office of South Asia Affairs, Donald D. Kennedy, 4 February 1952, RG 59, Confidential US State Department Central Files, Decimal Files, Microfilm, Reel 28.

Cold War as the leaders endeavored to satisfy the minimum basic needs within a democratic framework. The other dimension of this attractiveness was related to India's being one of the richest countries in the world with respect to strategic materials to which the superpower's need had increased. Referring to this, the US administration concluded that India was not a poor country but a country with poor people. For the "free world", loss of India to the other bloc meant control of these strategic materials as well as half of the world's population by the socialist bloc. In addition to these, the US administration had the anxiety that India's loss to the other bloc might lead to serial of losses due to Indian leadership's influence on the neighboring countries. Though it was a distant possibility, the US administration mentioned the possibility of India-led militant anti-white and anti-western "crusade" in Asia.⁸⁵²

Parallel to these attractive aspects, there were other dynamics which could challenge the interests of the Western world in the medium- and long-run. The nationalist feelings shaped by anti-colonialism, the widespread poverty and growing communist tide in the country was top among these dynamics. In expressing their anxiety the US administration referred particularly to anti-colonialism and widespread poverty. Regarding anti-colonialism, the US administration mentioned the possibility, though distant at that moment, that India might lead the Asian people into a militant anti-white and anti-western "crusade." The widespread

⁸⁵²see Oral History Interview with Loy Henderson, Ambassador to India, 1948-51, January 1976, Harry Truman Library, Oral History Collection, Independence, Missouri; Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57; Secret Memo on Current Situation in Relation to American Interests, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, General Records, 1950-52; Confidential Memorandum written by Harlan Cleveland, entitled as "The Problem before us in Asia" on 16 March 1951, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Assistant Administrator for Program Deputy Assistant Administrator, Country Files Of Harlan Cleveland, Deputy Assistant Administrator, 1949-53, Far East; Confidential Security Information FY 1954 Program of USA: India, RG 469, Records of the Agency for International Development & Predecessor Agencies, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-4; Unclassified Memo from American Ambassador Chester Bowles to Director Office of South Asia Affairs, Donald D. Kennedy, 4 February 1952, RG 59, Confidential US State Department Central Files, Decimal Files, Microfilm, Reel 28.; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change; Mudumbai, United States Foreign Policy Towards India 1947-1954; Bhagwati, India in Transition: Freeing the Economy.

poverty, on the other hand, prepared an appropriate environment for ‘stomach communism’. It was more alarming in the Asian context due to the so-called ‘social revolution’ in Asia. In this respect India had a peculiar condition. The rural mass was highly mobilized owing to the ‘promised land’ concept that was propagated by the national leaders during the National Movement.⁸⁵³

Shaped by these considerations, the USA defined its inevitable task in the South Asia as taking the initiative in building a new order and stability in Asia, which was firmly oriented towards the West. This was an inevitable task for a country that was the leader of the free world. “Inevitability” of the task was explained with respect to the vulnerability of these newly freed countries, which were close to Western ideals, to the Soviet expansionism. To succeed in this inevitable task, the USA administration defined India as its fortress among the Asian countries. The main assumption beneath this was that the involvement of India with the “free world” bloc would lead to a positive impact on the other Asian countries to follow a pro-“free world” policy line.⁸⁵⁴

⁸⁵³Secret Memo on Current Situation in Relation to American Interests, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, General Records, 1950-52; Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57; Secret Country Statement: India, January 1952, RG 469, Records of the US Foreign Assistance of Agencies, Far East Program Division, South Asia Country Subject Files, 1950-2, India: Agriculture & Commodities; Confidential Security Information FY 1954 Program of USA: India, RG 469, Records of the Agency for International Development & Predecessor Agencies, Technical Cooperation Administration, Asian Development Service, India Branch, Subject Files, 1951-4; Confidential Memorandum written by Harlan Cleveland Entitled as “The Problem Before us in Asia” on 16 March 1951, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Assistant Administrator for Program Deputy Assistant Administrator, Country Files of Harlan Cleveland, Deputy Assistant Administrator, 1949-53, Far East; Confidential Report on US Assistance to India, April 1951, RG 469, Records of the US Foreign Assistance Agencies, 1948-61, Assistant Administrator for Program Deputy Assistant Administrator, Country Files Of Harlan Cleveland, Deputy Assistant Administrator, 1949-53, Far East.

⁸⁵⁴Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57.

By undermining the dynamics in India, the US administration presented this strategy as if India was in full conformity with the USA. Main rationale behind this approach was India's acknowledgment with the Western political system as well as Indian leaders adherence to the democratic order. Therefore, they assumed that India had no other options than that of participation in the US-led 'free world' bloc. This assumption was, however, invalidated by India's adoption of non-alignment as her foreign policy.

The Western countries while defining non-alignment as amoral, immoral, obsolete, shortsighted, inconsistent to the day's realities and as a reflection of psychosis, blamed Nehru, the arch-architect of the non-alignment policy, as a political saboteur and a 'spoiled child' who could not understand the dynamics in the Cold War context.⁸⁵⁵

These statements of the US Administration were, however, made at public to undermine the cause of non-alignment. As revealed in the official documents, for the US administration the main motive behind non-alignment was centuries-long anti-colonial feelings. As the leading figure, Nehru aimed to create a third force in the international politics by increasing the status of the newly independent LDCs.⁸⁵⁶ When these circles analyzed the non-alignment as the repudiation of the established power politics⁸⁵⁷ they, in fact, referred to the core of the issue, namely India's objective of becoming the center in the periphery. This challenging policy was shaped, in fact, mainly by the Indian policymakers' belief in India's differentiated status

⁸⁵⁵Raju G C Thomas, *The Defense of India: A Budgetary Perspective of Strategy and Politics*, Meerut: McMillian Publications, 1978, p.36; Harold A. Gould, "US-Indian Relations: The Early Phase" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.38; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.258-9; Gould, "US-Indian Relations: The Early Phase" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.34, 38.

⁸⁵⁶Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57.

⁸⁵⁷Mudumbai, *United States Foreign Policy Towards India 1947-1954*, p.65.

among the newly independent countries by its industrial establishments as well as India's high potential to become an advanced country owing to this differentiated feature. The challenging economic premise of the non-alignment is analyzed below with respect to India's relation with the non-aligned countries.

Facing these humiliating statements regarding non-alignment, Nehru defended the policy on various grounds including security, political independence as well as economic advantages. Nehru stated that non-alignment ensured India's security as it rejected to establish military alliances with any of the countries. Non-alignment was also the security valve of political independence with respect to domestic and foreign affairs as it enabled the country to support what she believed in related to any peculiar policy since the country did not belong to any blocs. Instead she sought cooperation with all countries. Regarding the economic advantages, Nehru had the overoptimism that keeping the country away from blocs would enable her to benefit from the economic and technical aid programs of two blocs.⁸⁵⁸

Rejecting the claim that he was a saboteur of the peace and security of the free world, Nehru supported the view that the greatest contribution to world peace and stability was rejection of membership in power blocs. He underlined that this rejection did not mean the non-aligned countries' being neutral on world events. On the contrary, by their larger scope of freedom they could judge the events and be a substantial party by this unbiased judgment. An

⁸⁵⁸Constituent Assembly of India, 1948-49 FY Budget Debates, 8 March 1948, p. 1769; Demands for Grants, 28 March 1956, p. 3632, 3647-8; Nehru's Address in the Belgrade Conference, September 1961; Lok Sabha Debates, Demands for Grants, 13 April 1964, p.10705-7; Telegram from American Embassy to the Department of State, 5 December 1949, RG 469, Records of the US Foreign Assistance of Agencies, Far East Program Division, South Asia Country Subject Files, 1950-2, India: Agriculture & Commodities, Box 87; Oral History Interview with Loy Henderson, Ambassador to India, 1948-51, January 1976, Harry Truman Library, Oral History Collection, Independence, Missouri; Srinivas C. Mudumbai, United States Foreign Policy Towards India 1947-1954, Manohar: [Pub.pl.], 1980, p.vii-viii, 69, 75; A. Appadorai, The Domestic Roots of India's Foreign Policy 1947-1972, Delhi: Oxford University Press, 1981, p.15-6, 18-19; V.R. Krishna Iyer, Nehru and Krishna Menon, Delhi: Konark Publishers, 1993, p.43; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.241-2, 258-9.

important aspect of Nehru's non-alignment was its pro-Asian feature, which led to a total adverse interpretation of the role of India in Asian and world politics. In contrast to the Western center countries' formulation of China versus India in Asia, Indian policymakers formulated the power balance in Asia as India and China vis-à-vis superpowers.⁸⁵⁹ This total difference regarding India's role in South Asia and relations with China led to the immediate confrontation of the superpower and India. Ironically it was again China that shattered the main premises of India's non-alignment policy in early 60s and compelled the Indian policymakers to redefine the policy lines.

I. First Confrontation: Communist China

The China episode in the interaction of the USA and India, which commenced by Communist China's recognition by India in 1949, represented both confrontation and consensus between the USA and India. While India's tense conformity with China until early 60s led to a confrontation between the USA and India, the confrontation of two Asian powers served the collaboration of the USA and India after this date. This lasted until early 70s when the US administration announced the USA-China dealings. Consensus of these two compelled India to enter into an open alliance with the USSR. Therefore, to conclude that China represented a milestone in the USA-India diplomatic interaction as well as in the non-alignment rhetoric would not be misleading.

The US administration was alarmed by the emergence of People's Republic of China on October 1, 1949. According to the US policymakers, this emergence proved their thesis regarding expansionism of the communism as well as free world's obligation to meet this expansion by the containment policy. In their call for countries to participate in the USA led

⁸⁵⁹Ibid.

containment policy against Chinese Communism, India was the focal point for the US policymakers to undermine China's attractiveness for the majority of the people in Asia. In case that India attained a high level of development by its democratic system she would fill the power vacuum vis-à-vis the communist China.⁸⁶⁰

India's being among the first countries to recognize People's Republic of China, on the other hand, disappointed the USA. Facing various criticisms, including being pro-communist, Nehru referred to the difference in interpretation. While rejecting China's being an aggressive expansionist country, Nehru defined both the USSR and China as first nationalists, then communists. In contrast to the USA interpretation of Chinese revolution as evils of communist control, Nehru defined it as an agrarian revolution. By this rationale Nehru opposed the US policies regarding China on various grounds such as participation in a defense pact between India, Burma, Ceylon and Pakistan to countervail China's expansionism, alternative suggestions for the development of policies to improve the lots of the Asian people as well as the concept of 'cautious friendship' in dealing with communist countries. Regarding India's role as a communicator between the Western world and China, Nehru lobbied for China's membership to the UN despite USA's opposition. In this lobbying Nehru referred to the quantitative representation of China. Its absence meant absence of nearly a quarter of the world in the UN.⁸⁶¹

⁸⁶⁰Gould & Ganguly, *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.3; Mudumbai, *United States Foreign Policy Towards India 1947-1954*, p.145; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.259.

⁸⁶¹Confidential Message on Indian PM's Concluding Address from American Embassy in India to Department of State, RG 59, Confidential US State Department Central Files, India: Foreign Affairs, 1950-4, Microfilm, Reel 1; Iyer, Nehru and Krishna Menon, p.42-3 ; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.259; Merrill, *Bread and the Ballot: the US and India's Economic Development, 1947-63*, p.41; Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.3; E.M.S Namboodiripad, *Nehru: Ideology and Practice*, New Delhi: National Book Center, 1988, p.194; Mudumbai, *United States Foreign Policy Towards India 1947-1954*, p.viii.

Various factors were at force in India's recognition of Communist China only in two months in December 1949 such as his vision of powerful and influential Asia free from power politics under the leading position of India and China vis-à-vis superpowers and countries identified with colonialism,⁸⁶² emotional commitment due to the colonial background⁸⁶³ and commitment to the joint declaration adopted between Indian and Chinese delegates during the 1927 Congress of Oppressed Nationalities in Brussels which affirmed to revive the ancient ties between two countries and coordinate their freedom struggle to accelerate their path to victory.⁸⁶⁴

Examination of China's responsiveness to these endeavors, however, revealed that at least until the Korean War China was not responsive; on the contrary, Chinese policymakers adopted an aggressive policy line against independent India. When Nehru endeavored for China's membership to the UN, the new administration of China intensified its humiliating tone against independent India. While Mao called Nehru an "imperialist dog", the Chinese Foreign Minister publicly stated that Communist China wanted to establish friendly relations with all the countries of the world, with the exception of India, which was a capitalist nation. They also denounced the Indian government as a 'puppet' regime under the dominance of imperialists. The level of this humiliation and aggressiveness was to such a degree that the Peking administration even declared India a base for counter-revolution in Asia and an obstacle to the national liberation movements of the Asian people.⁸⁶⁵ The watershed that led China's withdrawal of this aggressiveness was India's stance during the Korean War. Thomas

⁸⁶²Oral History Interview with Loy Henderson, Ambassador to India, 1948-51, January 1976, Harry Truman Library, Oral History Collection, Independence, Missouri; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.250-4.

⁸⁶³Thomas, The Defense of India: A Budgetary Perspective of Strategy and Politics, p.35, 39-40.

⁸⁶⁴Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.250-4.

⁸⁶⁵Goray, "The Doctrine of Non-alignment", p.438; Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.103-4.

also points out the Indian ambassador's diplomatic efforts in Peking, which led a sort of rapprochement between China and India.⁸⁶⁶

Commencing by the Korean War, the honeymoon between China and India lasted until early 60s mainly due to India's exceeding tolerance. But this period was also not free from tensions; instead there were some serious confrontations those paved the way for the break in relations in the successive years. When China occupied Tibet in early 50s, India protested this. While disregarding India's protest as a foreign inspired one, China undermined any comment about its act since for the Chinese administration Tibet was a domestic issue. Avoiding any direct confrontation on the issue, Indian policymakers continued to claim that Tibet was an autonomous region until the signing of the *Panchsheel* with China in which Tibet was defined as a region of China. In the following years, Nehru faced criticisms due to this passive policy. He rebuffed these criticisms on grounds that India had to act pragmatically in order to preserve the peace between China and India, which had long borders. He also referred to the possibility of Pakistan's exploitation of such a tension between India and China.⁸⁶⁷

Authorization of the *Panchsheel*, the Five Principles of Peaceful Coexistence represented the heyday in Sino-Indian relations. In 1954 two countries agreed on the principles of peaceful coexistence, which comprised mutual respect for territorial integrity, non-aggression, noninterference in each others internal affairs, peaceful coexistence, equality and mutual benefit. For Nehru the Panchsheel was vital in international politics as it challenged the

⁸⁶⁶Thomas, *The Defense of India: A Budgetary Perspective of Strategy and Politics*, p.35, 39-40.

⁸⁶⁷S.L. Menezes, *Fidelity and Honor: The Indian Army from the 17th to the 20th Century*, New Delhi: Viking, 1993, p.467; M.O. Mathai, *Reminiscences of the Nehru Age*, New Delhi: Vikas Publishing House, 1978, p.169; Thomas, *The Defense of India: A Budgetary Perspective of Strategy and Politics*, p.41.

destructive power of the atomic bomb,⁸⁶⁸ which the majority of the Asian people identified the USA with. He also believed that this was an alternative to the hot and cold wars by its appeal to peace. In addition to these considerations regarding the Cold War, other consideration of India was related to China. PM Nehru thought that the Five Principles functioned as a means to measure and restrain China from adventures against India. In his Parliamentary statement he defined these Five Principles as the creation of conditions where the other party could not break its word.⁸⁶⁹

Events following the Panchsheel proved that Nehru's expectations regarding keeping China's adventurous drive in foreign affairs under control by Panchsheel were baseless. In 1957 the Chinese administration recommenced its criticisms against India. This time the focus of the criticism was the national movement of India. China underlined the nature of the Indian national movement as a classical example of a bourgeoisie-nationalist movement. Then Chinese authorities blamed India for supporting anti-Chinese movements in Tibet through smuggling of arms and related supplies. When India gave political asylum to Dalai Lama, the tone of hostility against India increased. Informed about the Chinese road construction activities in the Aksai Chin region of the Indo-China border, PM Nehru warned the nation that these small matters of debate hinted at bigger matters of the future. The tension between these two Asian countries emerged as vocal attack lasted until 1962. This year was crucial since China attacked India and commenced a short-lived war.⁸⁷⁰

⁸⁶⁸Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.250-4.

⁸⁶⁹Arthur Stein, India and the Soviet Union: The Nehru Era, Chicago: University of Chicago Press, 1969, p. 51-2; Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.105; Thomas, The Defense of India: A Budgetary Perspective of Strategy and Politics, p.41; Mathai, Reminiscences of the Nehru Age, p.169; Vohra, India's Aid Diplomacy in the Third World, p.204.

⁸⁷⁰Arthur Stein, India and the Soviet Union: The Nehru Era, Chicago: University of Chicago Press, 1969, p.112-4.

China was the victor of this short-lived border war. This victory was not only with respect to military performance but also to China's being the leading power, the mouthpiece of the Asian people. Without disregarding China's aim to gain more lands in a strategic location of the border, it could easily be claimed that this attack was for the sake of domination among the newly independent Third World countries. This was an episode in the Sino-Indian competition to be the center in the periphery. China's grounds for justification confirmed the accuracy of this claim. Following the invasion of the border, China denied that this was an act of aggression or expansionism of China. Instead this was the self-defense of China against the ambitious and expansionist policy of Nehru. Defining India as a country to preserve the interests of the colonial powers in Asia, Chinese administration referred to Indian ruling circles appeal to every means to interfere in the internal and external affairs of countries around India, to control their economy and trade as well as their demand of absolute obedience of these countries. For the Chinese administration these were concrete proofs of India's expansionist policy.⁸⁷¹

India, on the other hand, underwent a trauma, a national shock due to this war. This trauma was related to the ideological and psychological impact of the war more than the physical terms. This fact was reflected in the consensual view prevailing in India. Indians concluded that the war was not only an attack at India's borders but at the Indian way of thinking and ideology. More than anybody else, Nehru was attacked due to this national humiliation. While one dimension of criticisms was related to the under-equipment and low performance of the army during the war as well as the policymakers' undermining of the warnings of the army commanders, the other dimension was related to the non-alignment on grounds that it was utopian, excessively idealist and "ivory tower abstractionist". Critics claimed that due to these

⁸⁷¹Editorial Department of Renmin Ribao, Statement entitled as "More on Nehru's Philosophy in the Light of the Sino-Indian Boundary Question", 27 October 1962.

features, the foreign policy risked the vital interests of the country including national security. Nehru, rejecting any criticism regarding the overall concept and practice of non-alignment but accepted that he misread the relations with China and led India to live in “a fool’s paradise” as far as its China policy was concerned. He regretfully admitted that India was getting out of touch with reality in the modern world and lived in an artificial atmosphere of its own creation. Nehru learnt that the reconciliation of different viewpoints and peaceful negotiation were sound principles, but in dealing with countries which profess friendship but have aggressive intentions, more than ordinary care was required in securing-the country's vital interests.⁸⁷²

The border incidence with China was important as it compelled Nehru, who had a utopian interpretation of events, to face politic realities. In addition to personal learning during and after the attack, India made some modifications in her foreign policy as well as priorities. First of all after the Chinese humiliation India reformulated its defense strategy. In contrast to the past when the policymakers put high priority on development instead of defense, by this incidence the policymakers concluded that more allocations should be earmarked to defense by the objective of self-reliance in defense. The defense expenditure, mostly in foreign currency, had augmented from Rs 1,683 million in 1950-1 to Rs 9680 million in 1967-68.⁸⁷³

Besides, the Chinese border incidence of 1962 indicated the commence of military aid from the center countries whose response was swift and instant during the events. By the

⁸⁷²Lok Sabha Debates, Debates on General Budget, 7 March 1960, p. 4587; Appadorai, *The Domestic Roots of India's Foreign Policy 1947-1972*, p.32; Bhatia, *Jawaharlal Nehru: A Study in Indo-Soviet Relations*, p.163; Surendranath Dwivedy, *Quest for Socialism: Fifty Years of Struggle in India*, New Delhi: Radiant Publishers, 1984, p.254; Jane S. Wilson, “The Kennedy Administration and India” in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.53; Stein, *India and the Soviet Union: The Nehru Era*, p.145-6, 148; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.250-4.

⁸⁷³Lok Sabha Debates, Volume XXXV, Debates on External Affairs, 25 November 1959; Kumar, *State and Society in India: A Study of State's Agenda-Making, 1917-77*, p.126; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.250-4.

humiliating outcome of these events, there was an increased domestic demand for military aid from any country without hampering India's independence. The Indian administration signed a military agreement of 129 million USD in December 1963. In 1964 the Indian administration appealed to the USA for its five- year defense plan the implementation of which required at least 95 million USD annual military aid. The US administration faced a dilemma on this issue. On the one hand, it believed in the importance of a powerful Indian defense as it had 2500 km of border with expansionist China. On the other hand, it was hesitant to approve this aid package due to Pakistan as the USA did not want to endanger the "vitally important" Peshawar military base in Pakistan. Referring to this, the US officials asked India to have some concessions in the Kashmir problem. As Pakistan extended its open support to China during 1962 events at that juncture it was impossible for India to accept such a proposal. Despite this refusal and opposition of the Defense Secretary and Secretary of State, Kennedy supported the military package to be given to India. However as he was assassinated in four days time before authorizing its delivery, this package was not realized. Facing this, India appealed to the USSR and received what she asked for.⁸⁷⁴

This episode between the center countries and India was crucial as India faced the limitations shaped by the Cold War setting as well as strategic considerations of the center. First of all the center countries were unwilling to supply India with sophisticated arms, though they continued to supply such weapons to Pakistan. Yet, even the supply of these arms did not lead Pakistan to be self-sufficient in defense as it lacked the ability to produce these arms. Received them in the military aid packages Pakistan also faced serious limitations. In

⁸⁷⁴Lok Sabha Debates, Volume XXXV, Debates on External Affairs, 25 November 1959; Bawa Sundar Singh, *Tradition Never Dies: The Genesis and Growth of the Indian Army*, Bombay: Lalvani Publishing House, 1972, p.144; Wilson, "The Kennedy Administration and India" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.56-9; Thomas, *The Defense of India: A Budgetary Perspective of Strategy and Politics*, p.45-6; Appadorai, *The Domestic Roots of India's Foreign Policy, 1947-72*, p.73-4; Bowles, *Promises to Keep: My Years in Public Life, 1949-69*, p.475, 477, 483-4.

addition, India faced with the fact that the US suspended its supply at the most crucial times. Moving from these, India concluded that the superpower of the capitalist center did in no way assist India in its efforts to acquire a position of self-reliance in the field of defense or any other one. Its anti-Indian role at the time of the Bangladesh War of 1971 further estranged the two.⁸⁷⁵

This new dimension in the US-India relation also led to a serious questioning of the non-alignment and the assumed leading role that India endowed itself with among the non-aligned countries. Even though some argued that this aid was a departure from non-alignment as Nehru defined non-alignment as avoidance of military alliance with any country, the Indian policymakers neglected this argument on grounds that the conjuncture necessitated dynamic interpretation of non-alignment. In addition, they pointed out that India was firm upon the principle of not giving military bases to any country. Despite this interpretation of the Indian policymakers, an undeniable fact was the serious hindrance of India's position in the non-aligned bloc following the Sino-Indian border incidents. While the maneuvering ability of China was one factor, India's joint military acts with the USA and the UK against China had their part. Most of the non-aligned countries reacted to these acts as they enabled the US forces to familiarize themselves with the operational conditions on the India-China border. Additionally the US 7th Fleet extended its operations in the Indian Ocean. Besides, India signed the Voice of America agreement on 13 July 1963 which enabled the USA intelligence activities in the region. Though later on the Government repudiated these, it was not forgotten by these countries.⁸⁷⁶

⁸⁷⁵Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.260.

⁸⁷⁶Lok Sabha Debates, Volume XXXV, Debates on External Affairs, 25 November 1959; Lok Sabha Debates, Demands for Grants, 10 April 1964, p.10341; Wilson, "The Kennedy Administration and India" in Gould & Ganguly, ed., The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan, p.56-7; Mudumbai, United States Foreign Policy Towards India 1947-1954, p.69; Bhambhri, Bureaucracy and Politics in India, p.202.

The era in the Sino-Indian relations commencing by the border incidents increased the anxiety of India. This era was distinguished by developments such as Sino-Pakistan alliance, Sino-American rapprochement, China's development of nuclear weapons challenging India's security as well as for position in the world politics to a great extent. While the first alliance made the northern border of India very sensitive and insecure which resulted in lasting mobilization of the Indian army in that part, the rapprochement between the USA and China proved the USA's withdrawal of the power formula in Asia regarding India's being a countervailing force against Communist China. Regarding this as an important step, India signed an Indo-Soviet Friendship Treaty in 1971 to counterbalance the new US-China-Pak line-up. Against the claims that this agreement was India's departure from non-alignment Gandhi stated that the treaty was a defensive response of India to the newly emerging conjuncture.⁸⁷⁷ Regarding China's development of nuclear weapons, India not only lobbied at all international platforms for disarmament but also accelerated its endeavors to develop nuclear weapons.⁸⁷⁸ In contrast to the unpromising outcomes of lobbying, as a result of the acceleration of studies in 1974 India became one of the nuclear powers.

These developments led to shifts in power politics in South Asia. The era ended by the failure of Nehru's dream of a strong and influential Asia vis-à-vis superpowers under the leading role of democratic India and Communist China. Instead the process shattered India's position in the nonaligned world and India had to withdraw its vision of being the center in the periphery. This was the failure of an important premise of the non-alignment policy. The Indian dilemma

⁸⁷⁷Lok Sabha Debates, Demands for Grants, 21 March 1964, p. 6753, 6931; Lok Sabha Debates, Demands for Grants, 9 April 1964, p.10252; Vanaik, *The Painful Transition: Bourgeoisie Democracy in India*, p.239-40.

⁸⁷⁸Lok Sabha Debates, Demands for Grants, 21 March 1964, p. 6753, 6931; Lok Sabha Debates, Demands for Grants, 9 April 1964, p.10252.

was facing a challenge from the periphery while she dreamed to lead the challenge of the superpowers, particularly the capitalist center countries.

II. The USA and Nonaligned Bloc

The interaction between the superpower and the nonaligned bloc was crucial as the latter challenged the existing power blocs, particularly the capitalist “free world” bloc on ideological, strategic and economic grounds. Nehru expressed this rebuff by declaring that the Asian people had no sympathy for either American or Soviet expansionism.⁸⁷⁹ This was the most rebellious call of India against the existing power politics since it rebuffed the status quo while seeking a sound position to the Third World countries those refused to be part of this status quo. Accordingly, premises of the nonaligned movement were at odds with the power blocs, particularly the capitalist ones. In their Asia-centric and anti-colonial stance the nonaligned countries reflected their hypersensitivity, which was a result of centuries-long colonial background. While by anti-colonialism they contradicted ideologically, by their Asia-centricism these countries were at odds with the center countries strategically. The economic dimension of the challenge was related to their vision of a more egalitarian new world order as well as reaction to the strategies and mechanisms of the center to keep these countries in order in the international division of labor.

As the first premise, anti-colonialism in the framework of nonalignment meant active support of people in Asia and Africa who struggled to eliminate the remnants of the foreign rule. In their anti-colonial appeal, the nonaligned countries denied western forces who adopted classical colonialism and neo-classical colonialism. As early as 1949, these countries came together at Delhi to consider the question of Indonesia's freedom from Denmark. Strategic

⁸⁷⁹Namboodiripad, Nehru: Ideology and Practice, p.177.

dimension of the challenge, on the other hand, was mostly related to Asia-centricism of the nonalignment. The nonalignment rhetoric was distinguished by its pro-Asian tone. The main assumption behind this was that the Asian people should take important decisions regarding Asia. Accordingly, by challenging the existing power blocs, the nonaligned countries claimed Asia's emergence as a new vital force in the world affairs. In contrast to the past when it had to conform to the setting determined by the power blocs, in the new era Asia became a separate force to influence the course of events in the international arena. Defining Asian people as members of the same family, proponents of nonalignment underlined that as members the Asian people had many interests in common as well as various bonds.⁸⁸⁰

According to American officials what fostered both anti-colonialism and Asia-centricism of the nonaligned countries in 50s was the usage of the atomic bomb against the Asian people. This was an important factor that estranged the Asian public opinion against the USA regardless of its non-involvement in classical colonialism. For the nonaligned countries the event revealed the USA's victimization of the 'colored people' of Asia in order to prove its scientific imperialism despite Japan's declaration of submission.⁸⁸¹ Most probably mainly due to this last aspect, the USA was extremely irritated by the pro-Asian feature of nonalignment. In the communications and policy papers the US officials discussed about the possibility of a militant anti-white and anti-western "crusade" of the Asian people under the leadership of India. Though it was regarded as a distant possibility by early 50s, this was an issue that shaped the opinions against nonalignment.⁸⁸²

⁸⁸⁰Oral History Interview with Loy Henderson, Ambassador to India, 1948-51, January 1976, Harry Truman Library, Oral History Collection, Independence, Missouri; Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.122-3; Appadorai, The Domestic Roots of India's Foreign Policy 1947-1972, p.16; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.216, 250-4.

⁸⁸¹Secret Information Note on the Situation in India, 30 January 1950, RG 59, Confidential US State Department Central Files, India: Internal Affairs, 1950-4, Microfilm, Reel 21.

⁸⁸²Secret Memo on Current Situation in relation to American Interests, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, General Records, 1950-52; Secret Progress Report on

The last premise of the nonalignment was related to economic order in which these countries took part as less developed Third World countries. Defining the cause of their being less developed with respect to the exploitation of the colonial powers, the nonaligned countries adopted a radical rhetoric aiming at structural changes in the economic order. The challenging economic stance of the nonaligned countries can be examined from the nonaligned conferences. First seeds of the idea of a nonaligned economic bloc emerged in the Bandung Conference of 1955. Participating countries decided to provide technical assistance to one another and make prior consultation at international forums to further their mutual economic interests.⁸⁸³

Following this first step, as an unseparable component of the nonaligned conferences the nature and scope of the nonalignment's economic challenges was crystallized. First of these serial conferences was realized at Brussels in 1961. Following this date, five more nonaligned conferences were held with increasing number of participants. In the period under study the first four conferences were held successively. While the first was in 1961, the second was at Cairo in 1964, third at Lusaka in 1970 and fourth at Algiers in 1973. As the resolutions of these conferences, nonaligned countries reflected their desire for a new international order based on equality and justice. Commencing from the first conference onwards, the prerequisite for the attainment of the new economic development was defined as acceleration of economic development of the developing countries rather than an economic confrontation with the industrialized states. As a first step to this end, the nonaligned countries asked for collaboration among all LDCs.⁸⁸⁴ This was a suggestion that was at odds with that of the strategies of the center countries developed for their own ends. They developed mechanisms

US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57.

⁸⁸³Vohra, *India's Aid Diplomacy in the Third World*, p.66.

⁸⁸⁴Padmanabha Reddy, *The Economics of Nonaligned Movement*, Delhi: Discovery Publishing House, 1989, p.35; Vohra, *India's Aid Diplomacy in the Third World*, p.68

such as foreign aid, international agency aid to enable a lasting dependency relation while keeping the LDCs at their ranks in the international division of labor.

Criticisms of these countries identified the failure of the existing system from the perspective of the LDCs. At the Cairo Conference of 1964 it was noted that the structure of world economy and the existing international institutions of international trade and development failed to reduce the disparity in the per capita income of the people in developing and developed countries. Instead it paved the way to serious and growing imbalances between developed and developing countries. It also called all countries to work and collaborate for the rapid evolution of a new and just economic order.⁸⁸⁵

In their analysis of the reason for less development at Lusaka Conference of 1970 the nonaligned countries pointed out the structural global reasons. While defining the widening gulf between the developing and developed countries as a major threat to world peace and security, they also noted the decline in the share of developing countries in the world export trade from one-third in 1950 to one-sixth in 1969. They pointed out the trend which worked against the interest of the LDCs. While financial flows to developing countries decreased, the flow from the latter to the developed ones increased. They also urged the UN to employ international machinery for a rapid transformation of the world economic system, particularly in the fields of trade, finance and technology.⁸⁸⁶

Algiers Conference of 1973 was in conformity with the previous ones. There was a general condemnation of the neocolonialist exploitation of developing countries. While reaffirming the determination of the nonaligned countries to build up greater collective self-reliance

⁸⁸⁵Reddy, *The Economics of Nonaligned Movement*, p.36-7.

⁸⁸⁶*Ibid.*, p.37-8; Vohra, *India's Aid Diplomacy in the Third World*, p.68-9.

through mutual cooperation, the Conference asked for a special UN Fund for the economic development of the developing countries. Some scholars define the adopted resolution on the UN New International Economic Order in 1974 as the proof of the effectiveness of the nonaligned bloc.⁸⁸⁷

Due to these premises the power blocs and the nonaligned countries had confronted on various grounds. In this confrontation for the US administration India had a peculiar place owing to its hugeness, American schemes to use her as a countervailing force against Communist China in the South Asia as well as the assumed leadership of the nonaligned countries that Indian policymakers played in the initial years vis-à-vis the superpowers. Nehru had great contributions in determining the policy line of the nonaligned movement. It was he who before Independence announced the objective of creating a separate bloc under the leadership of India, along with China vis-à-vis the superpowers. In 1944, in addition to the USA and the USSR, Nehru identified India-China as forces who were potentially capable of leading power blocs. Again in 1946 he announced that in the framework of nonalignment India endeavored for independence from big-power alignments and self-determination for all Asians relying on the self-determination principle. He justified his behavior in drawing the policy line by referring to his conception of India. According to Nehru, India was the natural leader of the Afro-Asian world and as the powerful leader of India, he had the right to act as the mouthpiece of the Asian world.⁸⁸⁸

⁸⁸⁷Reddy, *The Economics of Nonaligned Movement*, p.36-9; Vohra, *India's Aid Diplomacy in the Third World*, p.68-9.

⁸⁸⁸Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57; Mudumbai, *United States Foreign Policy Towards India 1947-1954*, p.vii; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.241-2.

The vision of a powerful Asia influential on power politics highlighted the first confrontations with the superpowers, particularly with the USA due to nonaligned countries' direct attack on her. As the leading figure of the movement in the initial years, Nehru was firm up on the issue that important decisions regarding Asia should be taken by the Asian people. He announced that in any confrontation between the Asian and non-Asian powers India sided with the Asian power whatever the issue might be. In the rejection of power politics for Asian people to preserve their independent stance Nehru referred to Japan's case. According to Nehru, Japan was a 'dead force' since she had allowed herself to become a US satellite. Regarding the future of Asia, Nehru defined China and India as the two powers in the continent whose joint act should be encouraged and this could lead to a Delhi-Peking axis that had to exercise control over the rest of Asia.⁸⁸⁹

Nehru successfully used every opportunity to propagate these views regarding Asia's role in power politics. In order to assure an efficient lobbying for the cause of a powerful Asia, by its assumed leadership, India led the arrangement of various conferences. First of these conferences was held in March 1947 at Delhi by the participation of more than 22 nations. In his appeal to the Asian nations, Nehru stressed that Asian people required a political renaissance to stop being used by other powers and had to develop their own policies in world affairs. He denied that this appeal had pan-Asiatic notions; instead, it was reminding the Asian people of their roles.⁸⁹⁰

Among these international platforms, the Bandung Conference of 1955 held in Indonesia by the participation of 29 Afro-Asian states was the milestone. Defined as an attempt to keep

⁸⁸⁹Oral History Interview with Loy Henderson, Ambassador to India, 1948-51, January 1976, Harry Truman Library, Oral History Collection, Independence, Missouri.

⁸⁹⁰Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.240-1.

nonaligned countries out of the Cold War, the Bandung Conference had symbolic meaning with respect to power politics. It stood for the unity of Africa and Asia in the anti-colonial and anti-imperialist struggle. In his address at the Conference Nehru criticized the Western center countries, particularly the superpower due to their failure to understand the burning aspirations of the Asian people who constituted one-sixth of the world population. The imperative of establishing a free Asian bloc was defined by the claim that there was an Asian way of looking at the world. Moving from this claim Nehru challenged the propagated ideas that the newly independent nations had to be “camp followers” of the USSR, the USA or any other country in Europe on grounds that these ideas were not credible to the prevailing dignity, independence and spirit of these newly independent nations.⁸⁹¹

Contempt of the USA concerning this Conference was revealed in the manners of the pro-Western countries such as Turkey, Pakistan and Ceylon during the Conference. They had impeding tactics to sabotage the Conference not to discuss the crucial issues. Nehru tried his best to minimize controversies, as he wanted Bandung to be the platform of expression for the international conduct of Asia. The proclamation of the Bandung Conference indicated satisfying outcomes with respect to the overall views of the nonaligned countries. At the end of the Conference Asia was proclaimed as a separate force in world affairs, consisting of about half the world's population whose existence could not be denied by the superpowers.⁸⁹² This proclamation was at odds with the prevailing power blocs those accepted a bipolar world order as the main dynamic in the international affairs.

⁸⁹¹Bowles, Promises to Keep: My Years in Public Life, 1949-69, p.494-5; Stein, India and the Soviet Union: The Nehru Era, p.60; Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.121.

⁸⁹²Vohra, India's Aid Diplomacy in the Third World, p.66-7; Stein, India and the Soviet Union: The Nehru Era, p.60.

Not only this Asia-centric but also the anti-colonial rhetoric of Nehru aimed at the USA. In the process, the anti-colonialism was converted to anti-Americanism mainly due to the USA's dual standard with respect to some basic principles such as self-determination. In protesting Denmark's use of military forces in Indonesia to suppress the nationalist forces in late 1948 and early 1949, Nehru condemned this act as the last concrete act of old version of colonialism. He also criticized the US for failing to restrain its European ally. When he called leaders of Asian nations to Delhi, the US feared that he launched an anti-western Asiatic Association. When this anxiety of the superpower was forwarded to Nehru he assured the American Ambassador that he was protesting only the remnants of colonialism and this was not something against the USA. The outcomes of the Conference were so modest that the US once more concluded Nehru's rhetoric was more powerful than his actions.⁸⁹³

The successive years, however, revealed that Nehru's assurance regarding the objective of his protest was not limited to that particular event. In the process, Nehru adopted an increasingly anti-American rhetoric. While claiming the supremacy of India in peaceful dealing of the international affairs in March 1949, Nehru compared the symbol of India and West. While the wheel that represented peace was the symbol of India, this was the destructive atom bomb for the West, particularly its superpower, the USA. Nehru accused the superpower for this destructive means as it forced frightened nations to devote their energies to have more destructive weapons instead of earmarking their resources to the wellbeing of humanity. These words of Nehru not only shocked but also increased the anxiety of American diplomats who pointed out the "tremendous influence" of Nehru on the people of Asia during their

⁸⁹³Merrill, *Bread and the Ballot: the US and India's Economic Development, 1947-63*, p.31-3; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.259.

conversations with people closed to Nehru.⁸⁹⁴ In another address after his return from the USA, Nehru stated that despite all their great achievements, Americans impressed him less and less with respect to their human quality. He defined the approach of the USA as democratic in theory but tended more and more to encourage reactionary and military elements in various countries especially in those of Asia. By the logic of events, the USA supported the relics of colonial rule.⁸⁹⁵

In the process India supported all resolutions in the UN, which stood against old and neo version of colonialism which appeared in Palestine, Algeria, Tunisia, Indo-China, even in India. Existence of Portugal on Indian soil in Goa remained to be an unsolved problem for India. Its annexation to India by a military act in 1961 led to another confrontation between India and the USA. Annexation of Goa by force challenged the USA's view regarding the discrepancy between Nehru's rhetoric and actions. Standing as a good example that revealed the limitations of the power of the superpower in the Cold War context, Goa also, as an act against colonialism increased the prestige of India among the non-aligned countries since it was regarded as the greatest dilemma of India. While she extended support to all national liberation movements all over the world and was firm in her opposition to colonialism and imperialism, these sounded hollow as far as Portugal's rule in Goa was tolerated within its boundaries.⁸⁹⁶

⁸⁹⁴Secret Memo of Conversation between Sir Girja Shankar Bajpai, Secretary General of the Ministry of External Affairs and Commonwealth Relations and American Ambassador in India Loy Henderson, 16 March 1949, RG 84, Foreign Service Posts of the Department of State, New Delhi Embassy, Confidential Files 1949.

⁸⁹⁵Nambodiripad, Nehru: Ideology and Practice, p.210.

⁸⁹⁶Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.222-3, 249-50; Richard Edmund Ward, India's Pro-Arab Policy, New York: Praeger, 1992, p.43; Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.122-3, 131; Appadorai, The Domestic Roots of India's Foreign Policy 1947-1972, p.16; Stein, India and the Soviet Union: The Nehru Era, p.72-3; 136-7; Wilson, "The Kennedy Administration and India", p.49; Andersen, "US-Indian Relations, 1961-3: Good Intentions and Uncertain Results" in Gould & Ganguly, ed., The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan, p.69.

Nehru tolerated this hope that the problem was solved through peaceful means. But by the lapse of time instead of showing any signs of withdrawal from Goa, Portugal sought support in the international arena for her presence in Indian soil. Ironically in mid-50s the USA supported Portugal's appeal by raising the possibility of defending Goa as part of its NATO obligation. Though this supportive tone was abandoned and the US administration began to express the rightness of India on the issue during JFK's presidency, it opposed the military intervention as this undermined the existence of the UN and relevance of peaceful negotiation means.⁸⁹⁷

The USA developed various counteracting strategies in coping with India, which aimed to weaken the position of India in its endeavor to have a dominant stance among the nonaligned countries. India's assumed leadership of the nonaligned world was an important factor that caused tensions in the US-India relations. In policy papers of the US this assumed leadership and India's exertion of a growing influence in world affairs relying on this assumed leadership was pointed out. As a policy line, the US officials were warned to avoid actions which appear to support India as the leader of the free Asian countries. It was stressed that there should be a balance in dealing with the Indian leaders as the USA regarded India as a countervailing model against totalitarian China.⁸⁹⁸

There were various events between the USA and India that led to tensions between the two in the immediate aftermath of independence. One of the first events that hurt the relations between two countries was the USA administration's insensitivity to discuss with the Indian government the peace treaty with Japan. The Truman administration charged Dulles to have a

⁸⁹⁷Ibid.

⁸⁹⁸Secret Progress Report on US Policy Toward South Asia by Operations Coordinating Board, 24 August 1955, RG 84, Records of Foreign Service Posts of the Department of State: India, New Delhi Embassy, Top Secret General Records, 1952-57.

worldwide support for the treaty particularly in Asia. Dulles conferred with leaders in every Asian nation with the sole exception of India.⁸⁹⁹

Via these countervailing strategies, the US administration was, in essence, intervening into another challenging mechanism among the nonaligned countries. This represented the other facet of the dual challenge with respect to center-periphery interaction. While the first was related to the nonaligned countries' challenge against superpowers, the other facet was related to the inner interaction of the nonaligned countries. Distinguished by its competitive nature, this interaction reflected the endeavors of China and India to be the center in the peripheral third world. This indicated that the assumed leadership of India was not free from challenge. Instead the process ended by her falling behind China in this competition of becoming the center in the periphery.

India had to face this reality during the 1962 border invasions of China. The reaction of the nonaligned countries was as shocking as the invasion itself. The Indian public had the confidence that nonaligned countries would support India and that by this support China would be pushed to a tight corner in world politics due to her aggressive policies. However, countries in the nonaligned world did not extend their support to India. This lack of support of the nonaligned countries was regarded as the confirmation of the Chinese justification of this border incidence. China claimed that this was a defensive act against the ambitious and expansionist policy of India shaped by Nehru. Identifying the Indian policymakers with the British colonial rulers, Chinese administration claimed that until her Independence Indian ruling circles had used every means to interfere with the internal and external affairs of

⁸⁹⁹Bowles, *Promises to Keep: My Years in Public Life, 1949-69*, p.490-1.

countries around India, to control their economy and trade and demand their absolute obedience.⁹⁰⁰

This course of events was very frustrating for Indian policymakers who based their policies on to the assumption that India was a potential major power in world affairs due to her relatively advance industrial structure. Besides, they also referred to Gandhian teachings regarding India's having a certain mission in the world to work for peace and friendship. Nehru added that this mission was not a novelty, but was the legacy of India's religious and philosophical tradition. According to him, the concrete proof of this was the bloodless peaceful national movement of India. However, in this assumed leadership, Indian policymakers were cautious to avoid any confrontation within the nonaligned movement and proposed a Delhi-Peking axis for nonaligned bloc.⁹⁰¹

In contrast to the formula of the USA as democratic India versus communist China, India's equation was Asian India and China vis-à-vis superpowers. In line with this consideration Nehru took the initiative to create opportunities for the Chinese delegation to express and familiarize themselves with the nonaligned countries. This appeal of Chinese led to an unexpected result which was undermined by Indian policymakers. Though aware of the diplomatic gains of China in the Bandung where she became the leading spokesman for Asian aspirations,⁹⁰² Nehru preserved his overoptimism regarding the center role of India.

⁹⁰⁰Lok Sabha Debates, Debates on General Budget, 7 March 1960, p. 4506; Editorial Department of Renmin Ribao, Statement entitled as "More on Nehru's Philosophy in the Light of the Sino-Indian Boundary Question", 27 October 1962; Wilson, "The Kennedy Administration and India" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.57; Editorial Department of Renmin Ribao, Statement entitled as "More on Nehru's Philosophy in the Light of the Sino-Indian Boundary Question", 27 October 1962.

⁹⁰¹Stein, *India and the Soviet Union: The Nehru Era*, p. 61; Vohra, *India's Aid Diplomacy in the Third World*, p.66-7; Mudumbai, *United States Foreign Policy Towards India 1947-1954*, p.143; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.241-2.

⁹⁰²Ibid.

In addition to taking the initiative to act as a spokesman of the nonaligned movement, India developed various means to reinforce its stance vis-à-vis challenging factors. Similar to the superpowers of the power politics India extended technical, military and financial aid to nonaligned countries, particularly her neighbors including Burma, and Nepal. Though not in considerable amounts⁹⁰³, through this aid she aimed to create a dependence link as well as assuring new markets for Indian industrial goods. Yet the limited impact of this was revealed in the process parallel to China's growing influence on the nonaligned countries. While criticizing the government due to its failure to countermove China's making new friendships in Africa and in the periphery of India MPs pointed out the impact of this development. China's growing influence not only left India isolated in the nonaligned world but also affected its trade volume. Critics refer to the direct proportion between China's growing influence and decrease in the trade volume of India with these countries.⁹⁰⁴

Highly disappointed by this fact, the pursued policies were questioned. More than any issue, these critics emphasize the Arab policy of Nehru. For many Nehru's policy towards Arab could be defined as Arabophilia as Nehru exerted India's support at every occasion. Through this Nehru aimed to challenge Pakistan's appeal to the Islamic world against India as well as India's Muslim population, assure markets for Indian products as well as providing cheap and secure oil from the cheapest source. In contrast to the expectations of the Indian policymakers, however, during the China border invasion none of the Arab countries adopted a pro-Indian position. Instead they either remained abstained or adopted a pro-China policy line. Besides, when they needed assistance they appealed directly to China undermining India.⁹⁰⁵

⁹⁰³Lok Sabha Debates, Presentation of the General Budget FY 1958-9, 28 February 1958, p. 3015; see Dutt, *India and the Third World: Altruism or Hegemony*.

⁹⁰⁴see Lok Sabha Debates, Demands for Grants, April 1964.

⁹⁰⁵Lok Sabha Debates, Debates on Demands for Grants, 21 March 1964, p.6701-2.

This attitude of the Arab world continued in other occasions such as India's confrontation with Pakistan. In the period from 1948 to 1965 in resolutions for the Kashmir issue the Arab countries supported Pakistan in 71 % and backed Indian interests in only 8.3 %. Despite the open violations of Pakistan none of them stated anything against Pakistan. What is more, during the war in 1971 Kuwait called for a holy war against India. Critics claimed that if such violations were done by India the Arab world would never hesitate to condemn India. These critics conclude that the prestige that China enjoyed since Bandung increased and she exerted much influence on the nonaligned countries, including Arabs.⁹⁰⁶

In short, emergence of nonaligned force or "bloc" in the world politics was important with respect to ideology and meaning. Yet to claim that they had a successful challenge that led to structural changes would be misleading. Though the mechanisms and strategies that center countries developed for their own interests were diagnosed, the nonaligned countries failed to eliminate them. An important factor behind this was the chronic domestic problems which impeded development. While India emerged in the world scene as the mouthpiece of this challenging appeal, time proved that this was not lasting. Related to the struggle within the nonaligned movement to become the center of the periphery, India had to adapt itself to her falling behind China. The course of events developed in a manner that it shattered what Nehru envisioned for the future of Asia under the leadership of India-China. Instead of such a dual leadership, developments led to China's dominating position vis-à-vis India. Policymakers of India had to face the limitations of their influence on the Afro-Asian countries.

⁹⁰⁶Lok Sabha Debates, Volume 1, Debates on Budget of External Affairs Ministry, 16 February 1953, p.218; Lok Sabha Debates, Debates on Demands for Grants, 21 March 1964, p.6701-2; Lok Sabha Debates, Debates on General Budget, 7 March 1960, p. 4506; Lok Sabha Debates, Debates on General Budget 1971, 26 March 1971, p. 95-6; Ward, India's Pro-Arab Policy, p.26, 63-5, 82-3, 90; Wilson, "The Kennedy Administration and India" in Gould & Ganguly, ed., *The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan*, p.57.

The above analysis reveal the USA's interference into this inner interaction via some strategies aiming to undermine the influence of India. Nehru's independent personality, some aggressive appeals at public and necessity to keep India under control were among the factors that led the USA to interfere. In addition to these, the USA concentrated its efforts to create an ally in the South Asia that fitted to its Cold War objectives. The outcome was the USA-Pakistan alliance.

III. US-Pakistan-India Triangle

As the first armed clash between the "free world" and Communist bloc, the Korean War was highly important in the Cold War context. Due to this reason, the US administration decided to get the support of not only her allies but also of the nonaligned countries. In this framework, India had a distinguished place due to its political system, population and influence on her neighbors. The US administration pointed out the vitality of getting the support of world's largest democracy during this confrontation by referring to India's immense influence on the nonaligned countries at that time. India supported the US initially by hinting at the possibility of her support for a defensive war. But when the US led the cross of the 38th parallel and Truman declared the US' active consideration of using the atomic bomb, along with many other countries, India reacted sharply. Relations between the two countries nearly collapsed when the Indian policymakers conceived the Korean War as a scheme of the US administration to reopen the Chinese Civil War.⁹⁰⁷

The anti-US manner of India was disappointing for the US administration due to the meaning it avowed to the Korean War. Parallel to India's criticisms of the USA, Pakistan successfully gave the impression that she was a reliable friend and a possible ally of the Western world in

⁹⁰⁷Mudumbai, United States Foreign Policy Towards India 1947-1954, p.107, 109, 116.

South Asia. Pakistan's pro-Western stance was extremely valuable for the USA in the general context of the Cold War. The US began to consider Pakistan as an important link in its containment policy.⁹⁰⁸ Relations of the two countries developed following the Korean War episode. This was an important development for India as the USA was collaborating with a country that posed serious problems to India since partition.

Indo-Pakistan confrontation was not only due to the partition but also Pakistan's being a theocratic Islam state. The second was a serious consideration for the Indian policymakers owing to India's considerable Muslim population and anxiety concerning expansion of Pakistan's influence to the Middle East countries.⁹⁰⁹ The situation was aggravated by Pakistan's unwillingness to sell various raw materials to India whose industry necessitated these extremely.

Yet, the turning point in the relation of India and Pakistan was the latter's alliance with the superpower of the capitalist Western bloc. Policies following this alliance upset the balance of power between two countries in the South Asia. First of all, Pakistan, which was regarded as a chain in the containment policy became a part of the military strategy of the US by providing military bases and participation in US-led military pacts such as the Baghdad Pact and SEATO. In addition to these, in 1954 the USA began to arm Pakistan with various sorts of weaponry. The last was a serious blow in Indo-American-Pakistan triangle.

Parallel to the development of relations between Pakistan and the USA, the latter increasingly adopted a pro-Pakistani stance in the international platforms, top among which was the UN

⁹⁰⁸Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.102; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.259; Mudumbai, United States Foreign Policy Towards India 1947-1954, p.96,126.

⁹⁰⁹Parliamentary Debates, Demands for Grants for Ministry of External Affairs,17 March 1950, p.1730.

regarding the Kashmir issue. Kashmir was not an ordinary land dispute between two countries due to the strategic importance of Kashmir. It was a convergence point between Afghanistan, China, India, Pakistan and the USSR. By the time of Independence the majority of the Kashmir population was Muslims with a Hindu ruler.⁹¹⁰

The Kashmir problem began during the interim Government era when Pakistani guerilla forces invaded Kashmir from its northwest frontier. Following this Kashmir's Hindu ruler decided Kashmir's merging to India. When the British Viceroy officially approved this decision, the Indian troops flew into Kashmir to push out the Pakistani invaders. As one of the genuine supporters of the UN who had faith in its functionality, Nehru stopped the successful pushing and called upon the UN Security Council to brand Pakistan as an aggressor. As India believed its rightness on the issue the Council's decline of this appeal was a great disappointment for India. The Council's rationale was that such a branding would lead to Pakistan's more militarization on the issue, which failed to satisfy the Indian policymakers and public in general. The issue remained as an impasse while Pakistan occupied 40 % of Kashmir.⁹¹¹

Following this setting the USA continued to support Pakistan actively until 1954. During this period it forwarded several suggestions favorable to Pakistan in the name of conflict resolution. One of these suggestions was a referendum that relied on the concept of self-determination. This support of referendum was in fact supporting of Pakistan in a disguised manner since majority of the population in Kashmir was Muslims. The USA's denial of right of self-determination in some parts of Europe was referred to as a proof of equivocal interpretation of this right and indicator of this support. The pro-Pakistan stance of the USA

⁹¹⁰Ward, India's Pro-Arab Policy, p.73.

⁹¹¹Bowles, Promises to Keep: My Years in Public Life, 1949-69, p.501.

was interpreted with respect to its strategic considerations against the nonaligned India as well as the Socialist bloc.⁹¹²

The event that ended the USA's active intervention into the issue in 1954 was rejection of its appeal regarding sending American soldiers to Kashmir, by the Indian policymakers. India rejected this on grounds that presence of foreign soldiers on a strategic area would mean an increase in the US influence and would confirm American interests in the region. This decision of India received wide support from the Soviet bloc as they also believed that via this act the USA would convert Kashmir into an Anglo-American colony and a military base. Parallel to its displeasure regarding India's rejection of American troops in Kashmir the USA, on the other hand, led to the preparation of a resolution that nearly denied the rightness of India. Criticizing this Nehru also expressed his suspicion about the neutrality of UN as it drifted from its original idea. This criticism of Nehru was very meaningful since he was the one who brought the issue to the UN. In fact the Kashmir issue was an important episode for Nehru as he abandoned his firm faith in the UN. In contrast to his appeal to the UN for this issue in late 40s, during the last years of his tenure Nehru announced the UN's irrelevance to Kashmir issue. This announcement was not only due to the prevailing belief among the Indian public that the UN sacrificed justice to diplomacy but also due to India's charge with genocide and ill-treatment of minorities in the UN debates.⁹¹³

The Kashmir issue remained as a stalemate between two neighbors. Nehru opposed any resolution that proposed the debate of Kashmir issue in the UN as he was convinced that these resolutions would serve against the interests of India and exert unfair pressure on India.

⁹¹²Mudumbai, *United States Foreign Policy Towards India 1947-1954*, p.99-100.

⁹¹³Lok Sabha Debates, Volume XLIII, Debates on External Affairs, 10 November 1962; Dube, *Jawaharlal Nehru: A Study in Ideology and Social Change*, p.247-8; Mudumbai, *United States Foreign Policy Towards India 1947-1954*, p.97, 99.

However, when the Indian policymakers appealed to the USA and UK during 1962 China border invasion, the Indian policymakers had to agree on the resume of bilateral talks between India and Pakistan. These had no concrete outcomes. In 1964, the Indian government decided to withdraw the special status given to Jammu and Kashmir and to integrate the area fully into the Indian Union. They considered this as the solution since by this decision there was nothing left to discuss on Kashmir.⁹¹⁴

Except this pressure during the vulnerable time of the country, the US ceased its active interference into the issue. Yet by extending military aid to Pakistan she managed to distort the whole balance of power in the region. This was an outcome that had an impact on every issue including Kashmir. The US military aid to Pakistan commenced in 1954. Regarding the issue as a great challenge to the security of India and the region, the Indian policymakers immediately reacted to the news of US' massive arms aid to Pakistan. In his address regarding the issue Nehru pointed out that the American military aid to Pakistan created a grave situation for Asia and India. Referring to the increased tensions in the region Nehru expressed his anxiety about the high possibility of using these arms against the newly freed countries under the justification of "communist threats." He pointed out the explanations of Pakistani policymakers as a proof of this high possibility. In contrast to the US justification of aid as a defense precaution against the USA and China, Pakistan policymakers stated that Pakistan's sole enemy was India and country's armament was against the enemy. They added that this aid contributed to the solution of Kashmir solution. The Pakistani policymakers claimed that this aid served the strengthening of not only Pakistan but also the Muslim world. Anxious due to these explanations Indian policymakers defined these developments as

⁹¹⁴Stein, India and the Soviet Union: The Nehru Era, p.166-7.

dangerous, abnormal and as a new type of intervention. Abnormality that upset normality was due to the importation of advanced level military weapons and technology.⁹¹⁵

Facing severe criticisms and protests in Indian Parliament, media and public the US President Eisenhower sent a message to Nehru and assured that Pakistan could not use the US-provided arms on its initiative. In other words, Pakistan could not use arms provided by the US in the scope of military aid. He underlined that in case that Pakistan attempted to use these arms against India, the USA would undertake immediately appropriate action to prevent such an aggression. Rejecting Nehru's claims, Eisenhower defined what India felt as "widespread and unfounded speculation". While some circles were relaxed by this assurance, the majority regarded it as unrealistic referring to France's use of NATO arms against Algeria despite the measure in NATO agreement that prevented the usage of arms and resources other than NATO purposes. Validity of these concerns were proven in a decade time during the Indo-Pakistan War of 1965 when the US did not take any action to prevent the usage of arms provided by US military aid.⁹¹⁶

Anxiety of the Indian policymakers increased parallel to Pakistan's participation in military pacts. Following the Baghdad Pact, in 1954 Pakistan joined the South-East Asia Treaty Organization (SEATO) the establishment of which was justified as a precaution against the expansionist policies of the USSR. In rejecting this, Nehru stated that there was not any visible signs of the USSR's expansionist acts and referred to the debates in the Pakistan

⁹¹⁵Lok Sabha Debates, Statements re: US Military Aid to Pakistan, 1 March 1954, p.969, 974; Lok Sabha Debates, 29 March 1956; Lok Sabha Debates, Statements re: US Military Aid to Pakistan, 1 March 1954, p. 965, 968, 972; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.260; Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.116, 118; Mudumbai, United States Foreign Policy Towards India 1947-1954, p.99.

⁹¹⁶Demands for Grants, 28 March 1956, p.3698-9; Statements Regarding the US Military Aid to Pakistan, 1 March 1954, p. 965, 968; Menezes, Fidelity and Honor: The Indian Army from the 17th to the 20th Century, p.489; Bowles, Promises to Keep: My Years in Public Life, 1949-69, p.479; Ganguly, "US-Indian Relations During the Lyndon Johnson Era" in Gould & Ganguly, ed., The Hope and the Reality: US-Indian Relations from Roosevelt to Reagan, p.82.

Parliament to grasp the real nature of this sort of military pacts. Replying the questions, Foreign Minister of Pakistan justified military alignments on grounds that they served the defense of the country and preservation of internal security. Nehru claimed that this was not something peculiar to SEATO, instead in all military pacts Pakistan aimed at India.⁹¹⁷

This claim was related to Indian policymakers belief about the military pacts. As revealed by their statements, Indian policymakers refused all the military pacts including NATO, MEDO and the Baghdad Pact as these pacts brought Cold War to the borders of India. Defining any military pact like SEATO and the Baghdad Pact as a “vile chain” of conspirational acts against the prevailing peace and freedom in Asia, Indian policymakers claimed that problems with Pakistan such as Kashmir were artificial ones created by these sorts of intervention. Nehru stated that by their “wrong, dangerous and harmful” approach these pacts promoted wrong tendencies while impeding development of accurate tendencies. Therefore, countries which joined in these pacts had in common. The idea that they were taking the world into a wrong direction. The national dimension of this mistake was related to the country’s human resources also. Critical MPs had the belief that by these military pacts the US provided cheap soldiers for the defense of US as the American soldiers were very costly in comparison to member countries’ soldiers.⁹¹⁸

Evaluation of the military aid, military pacts as well as armed conflicts with respect to their outcomes reveal that they obliged India to earmark considerable amount of its productive resources into armaments in order to keep up with Pakistan. Critics of the USA point out that this was an important factor in the balance deficit in India. They blamed the USA since by

⁹¹⁷Demands for Grants, 28 March 1956, p.3633-4; Lok Sabha Debates, 29 March 1956

⁹¹⁸Lok Sabha Debates, Demands for Grants, 23 March 1954, p.2862, 25 March 1954, p.3046; Lok Sabha Debates, Debates on General Budget, 16 March 1954, p.2361; Demands for Grants, 28 March 1956, p.3623, 3633-4,3666; Demands for Grants, 29 March 1956, p.3734-6; Iyer, Nehru and Krishna Menon, p.41; Dube, Jawaharlal Nehru: A Study in Ideology and Social Change, p.260.

arming the Pakistan and creating an armed-powerful neighbor, the USA led India to spend more money on defense expenditures by diverting resources from development activities. This policy line indicated a departure from the conventional policy line of India. The Indian policymakers always put high priority to development, instead of defense. Yet in the face of lasting arming of Pakistan they had to abandon this policy and increased the amount of allocations to defense.

While continuing its armament Indian policymakers called for a stop of armament at every possible platform. Though Nehru was regarded as a proponent of disarmament he was not optimistic about the impact of this call for disarmament. In one of his addresses, Nehru stated that in many cases reality which prevailed in the world determined the course of events. When the reality of the world was destructive arms, hydrogen bombs with a tremendous power behind them, any call for disarmament probably would not be so efficient as history revealed.⁹¹⁹

Following the Chinese victory in 1962 in the border incidents, however, Indian government began to realize the low amount of budget allocations that they earmarked for defense. Particularly following the Indo-Pakistan War of 1965, the country began to question why they earmarked low budget allocations for defense needs of the country. In contrast to the previous years, when Indian policymakers believed that they had to spend less money for defense since the scarce resources should be earmarked to productive fields, the government agreed that the defense and economic planning could not be separated from each other and also could not be

⁹¹⁹Demands for Grants, 29 March 1956, p.3727; Views of Hans J. Morgenthau, Proceedings of the Conference “India and the USA” held on 4-5 May 1959, Mayflower Hotel, Washington D.C.; Thomas, The Defense of India: A Budgetary Perspective of Strategy and Politics, p.57; Nageshwar Pandey, “An Appraisal of Western and Soviet Aid” in Sharma, ed., Indo-Soviet Cooperation and India’s Economic Development, p.43

conducted independently of each other. After that date onwards defense contingency planning of the country had to be taken into account between two hostile neighbors.⁹²⁰

These developments falsified the premises of Nehruvian vision regarding the peaceful world order. In a sort of romanticism he propagated that by good intentions and good neighborhood peaceful world order could be attained. In the face of uncontrollable factors India faced various dynamics that compelled her to accelerate her armament. For India to conclude that important policy changes occurred under emerging new external circumstances would not be misleading.

Concluding Remarks

In the post-WW2 era with respect to their stance in the world affairs Turkey and India had considerable differences. While Turkey preferred to be an ally of the superpower of the “free world” bloc, India preferred to play the role of the leading country of the non-aligned countries. This difference in the diplomatic preferences, however, did not make a considerable change in their dealings with the center countries as both faced the same sort of demands and sanctions regardless of the degree of their ‘closeness’ to the center countries. The shared demands from the center were not coincidental as they were shaped by the strategic considerations of the center, in our context, the superpower, to preserve and institutionalize her dominance on the peripheral countries.

Alliance of the USA and Turkey represents one of the many that the superpower entangled in the Cold War context. In contrast to the previous indifference to the plight of the peripheral

⁹²⁰Thomas, *The Defense of India: A Budgetary Perspective of Strategy and Politics*, p.48.

underdeveloped countries through the foreign aid regime the superpower began to institutionalize her relations with the LDCs as its national and center interests necessitated so.

Like the majority of the peripheral countries which were entangled in sort of an alliance with the USA, for Turkey the new means of the superpower, whose main assumption was to contribute to the development or recovery of countries which suffered from low domestic savings through flow of huge sums of foreign exchange, and offered opportunities to attain the envisioned economic development. Policymakers of the country expressed their high expectations regarding the foreign aid through which the country attained her industrialization drive. In a short while, however, they had to withdraw from this ideal as the superpower, relying on comparative advantage principle, conditioned Turkey's involvement in foreign aid program to a shift in the locomotive sector of the development policy of the country from industry to agriculture along with liberalization of foreign trade regime and favorable environment for private capital, both domestic and foreign.

By accepting to fulfill these conditions Turkey involved in the US foreign aid policy as well as "free world" bloc. This involvement indicated a dilemma for the country. On the one hand, at least in appearance, Turkey was incorporated to the West, which symbolized the centuries long dream of the western-oriented intelligentsia. On the other hand, she had to abandon the development policy that she enthusiastically supported as the sole policy for a country's economic and political independence. The mixed feelings of the Turkish policymakers crystallized in the process when it became clear that conditions of involvement did not lead to the ultimate national objective of self-reliance. This crystallization indicated intensification of tensions and contradictions between the allies on economic issues. In contrast to the naïve optimism of the Turkish policymakers regarding the advantages of the superpower's

recommendations, the superpower did not miss any opportunity to reinforce her center-related interests.

The question of what would have happened unless Turkey faced land demands of the USSR could lead to interesting scenarios. Regardless of these scenarios the apparent fact related to Turkey's involvement was that one of the fundamental, may be the most fundamental, factors that led Turkey to entangle into alliance with the superpower was her security and national integrity concerns vis-à-vis her centuries-long hostile neighbor. Through participation into all military and regional defense pacts Turkish policymakers concluded that they assured the country's security vis-à-vis any armed aggression against the country. This feeling motivated them to pursue an US-centric foreign policy.

Enjoying this until early 60s Turkish policymakers were compelled to face realities regarding Turkey's 'meaning' in the context of the Cold War and degree of (in)security that she assured through military entanglements with the Western bloc when they faced two significant events. First of these was the Cuban missile crisis during which Turkish policymakers faced the reality that in the Cold War context Turkey was regarded as one of the minor battlefields that could be sacrificed. By a successive event, however, not only the policymakers but the public at large underwent a trauma. By the letter of the US President Turkey faced the limitations in using the arms provided by the US military aid as well as the country's exclusion from the security shield of the NATO vis-à-vis the Soviet threats depending on the superpower's interpretation of the events. In the midst of these developments, Turkish policymakers grasped the degree of Turkey's loneliness during the UN resolutions for Cyprus.

These two developments led the Turkish policymakers to reshape the foreign policy from a US-centric unidimensional one to a multilateral foreign policy. 60s were distinguished by

Turkey's endeavors to improve relations with Arab nations, nonaligned countries and the Socialist Bloc to gain "friendship" in the international arena.

Though these endeavors had satisfying outcomes, as a country that was highly dependent on the foreign and military aid of the center countries, in the midst of the narrowing vicious circle Turkey lacked the degree of freedom that her policymakers envisioned for the country. Owing to the mechanisms established by the center as well as pragmatism and shortsightedness of her capitalists, Turkey did not attain the envisioned development level that was equated with self-reliance. Though Turkey was one of the countries that received the highest amount of foreign aid this was not enough for her to attain her ultimate objective in contrast to the assumption of the foreign aid policy.

In contrast to the Turkish-American relations, the tension of which increased in the process, Indo-American relations were distinguished by its tense nature. Like Turkey, confrontations of the USA and India on economic issues were shaped mainly by the center-periphery dichotomy and had a repetitive course as the structural problems of the Indian economy prevailed. In the midst of foreign exchange crisis and increased dependency on the center countries in foreign exchange, center countries and agencies of the capitalist world were able to exert pressure on the peripheral country for policies which served their strategic concerns including liberalization of foreign trade, creation of an appropriate environment for private capital, both domestic and foreign as well as a shift in the locomotive sector of the economy from industry to agriculture.

Political elite of the periphery, on the other hand, was reactive to these demands on grounds that they were against the country's interests. Though the political elite was mostly firm on these confronted issues, the narrowing vicious circle compelled them to be responsive to the

demands of the center. Its responsiveness in many cases, however, did not cover the expectations of the center. Or, in cases when it covered all aspects, the periphery acted pragmatically and following the receipt of foreign aid withdrew the recommended policy.

The revealing tendency of the center on these issues was that while it was firm on promoting an appropriate environment for the private capital and activated mechanisms to institutionalize the interests of the foreign capital, it had a relaxed attitude regarding the expansion of public sector as the system functioned in a manner that the foreign private capital enjoyed the Indian market through partnerships and joint ventures set up by domestic capital.

An important fact was that political elite was not the sole determinant in this interaction. Aware of this, the center was successful in manipulating concerns of different components in the periphery. In its lobbying for the Green Revolution of mid-60s it acted as a mouthpiece of capitalist farmers in demanding incentives for their activities. As these incentives had inflationary effects, the center created a common ground for its and other component's interests at the expense of the mass.

The other component that created synergy with the center was the domestic capital. Enjoying the favorable environment enabled by the political elite parallel to the envisioned development process of the country as well as the center in its endeavors to create a favorable environment for private capital in general, foreign capital in particular the domestic capital undermined the long-term development objectives of the country regarding industrialization by focusing on consumer goods. While domestic and foreign industrial sector preferred it due

to its quick and high margin profits, the center propagated for consumer goods industries to impede the country's drive for heavy industrialization that might reduce the periphery's dependence on center countries considerably in the long-run. In the process, the superpower also relaxed her opposition to heavy-industrialization drive of India as far as she preserved her dominance over the periphery by keeping and avoiding the transfer of recent technological developments to the periphery, including India. In any case, the alliance with the domestic industrial capital empowered the center, as it was able to manipulate and distort the economic development priorities of the periphery. By this stance in the periphery the foreign capital made great contributions to the creation of pseudo-industrialization in India.

What lied at the core of confrontation on diplomatic issues was again related to India's vision to be self-reliant and also become a world power influential on world politics as well as economics. By leading the challenge against the superpowers, one of the ultimate objective of India was to enjoy a secure market among the Third World countries. Attainment of this economic dimension of nonalignment was crucial for India as she regarded herself a potential leader, the center among these countries, owing to her relatively advanced industrial structure. Assumption of the Indian policymakers was to become the center of the periphery by completely exploiting the industrial capacity of the country.

The bipolar international setting enabled an appropriate environment for this economic challenge through foreign policy. Rejecting to be a part of power politics because she did want to contribute to the existing tensions, India was influential in drawing the guidelines of the nonalignment. Against the USA's definition of international order with respect to bipolarity, Nehru acted as the mouthpiece of nonaligned bloc rejecting this and highlighted the possibility of a Third Bloc free from the expansionist policies, particularly in the

economic field, of the superpowers. This critical stance vis-à-vis the superpowers shed light on the USSR's reaction to the nonalignment, particularly in the initial years. Like the USA, for the USSR if one country did not belong to one bloc then it automatically belonged to the other one. Therefore until the death of Stalin the USSR denounced the nonalignment and regarded India as the leading force among the nonaligned countries as a country that belonged to the "enemy camp" a "semi-colony" of the British capital referring to strong political and commercial ties.⁹²¹

In contrast to the USSR, the USA regarded nonalignment more challenging as the nonaligned countries challenged not only the USA's concerns regarding its being the superpower but also the ideology that it represented. The socialist rhetoric of Nehru regardless of its high pragmatic notions intensified the discontent of the USA. As a result it developed various mechanisms such as creation of countervailing forces in the region and exclusion of India from important regional decisions to undermine India's position among the nonaligned countries. This policy line of the USA was crucial as it aimed to sabotage India's endeavors to become the center of the periphery. In comparison to the above-mentioned mechanisms, the foreign aid was efficient in impeding India's endeavors. Depending on the center countries to a great extent with respect to foreign exchange supply India had a vulnerable position vis-à-vis the superpower. Diagnosing this, the USA efficiently used foreign aid against India. Examination of the process reveals the ups and downs of foreign aid parallel to the confrontations in economic, diplomatic and military fields.

⁹²¹Secret Memo of Conversation between Sir Girja Shankar Bajpai, Secretary General of the Ministry of External Affairs and Commonwealth Relations and American Ambassador in India Loy Henderson, 16 March 1949, RG 84, Foreign Service Posts of the Department of State, New Delhi Embassy, Confidential Files 1949; Bhatia, Jawaharlal Nehru: A Study in Indo-Soviet Relations, p.97, 99; Merrill, Bread and the Ballot: the US and India's Economic Development, 1947-63, p.27; Raju G C Thomas, The Defense of India: A Budgetary Perspective of Strategy and Politics, Meerut: McMillian Publications, 1978, p.39.

CHAPTER V

CONCLUSION

In the post-WW2 era, foreign aid policy was justified as the fundamental means to break the “vicious circle of poverty” distinguished by low domestic savings, inefficiency of governments to increase domestic savings and hindrance of development policies due to these low savings. In this context, foreign aid was assumed to act as an impetus to fill the gap between savings and required capital for development endeavors of the country. According to this assumption when the countries attained a certain level of development and capital accumulation, they would no longer necessitate foreign aid allocations. This assumption led to an overoptimism among the policymakers of the LDCs who began to believe that in a relatively short time they could attain self-sufficiency identified with economic and political independence. Policymakers of Turkey and India were not exceptions in this overoptimism. They shared the belief that in early 70s their countries would attain full development the fundamental indicator of which was self-sufficiency.

Though Turkey and India received huge amounts of foreign aid, by 1973, neither of them had attained self-reliance. Instead, their dependence on the center countries and international donor agencies increased with respect to foreign exchange and technology. This outcome invalidated the above-mentioned main assumption of foreign aid policy, dominated by the USA for nearly two decades. The crucial point regarding foreign aid policy was the failure of its public justification advocated by the US administration and the aid recipient countries. However, this did not mean that this policy failed when the interests and expectations of the USA were concerned. Instead it perfectly fulfilled its mission serving directly to the superpower concerns of the USA. It institutionalized the LDCs’ integration to the capitalist

system, particularly to its new superpower, as aid recipients, markets and provider of strategic materials.

This was the main function of foreign aid for donor countries in Turkey and India whose integration to the world economy was completed. While Turkey's integration to the world economy commenced in the sixteenth century, which resulted in her predecessor's semi-colonization, India's integration to the world economy resulted in her colonization by the superpower of the era, the United Kingdom. Being in the periphery of the world economy through the US foreign aid both Turkey and India institutionalized their dependency on the superpower.

Regarding the outcomes of the development endeavors, in addition to the unattainment of self-reliance the process also led to some other failures with respect to social justice and intensified dualities in social and economic spheres. As the other side of the coin, the process also had some success from the perspective of policymakers and donors, such as higher growth rates, accumulation of capital, expansion of infrastructure as well as the modern/capitalist sectors respectively.

Consequently, what Turkey and India attained by 1973 was not an independent development but a dependent development distinguished by capitalist capital accumulation. In contrast to the assumed trickle down mechanism the capital concentrated into few hands. This led to increased inequality in income distribution, intensified duality in society and prevailing low life standards for the majority parallel to the high unemployment and underemployment.

Remaining unresolved in successive years, these features represented the symptoms of the crisis in the political economy of Turkey and India.

Comparison of development policies and outcomes of these policies reveals similarities and common deficiencies owing to the structural problems of the less developed countries as well as differences related to countries' inner dynamics. In this conclusion part, first, Turkey and India are compared with respect to outcomes of the development policies, the impact of the inner and external dynamics on the process regarding resource allocation and capital accumulation. Then the pursued development policies and their outcomes are analyzed according to the dominating development paradigms of the era to underline the theoretical basis of the evolution in the recommendations of the center countries and reorientation of the development policies of the LDCs. This last part of the analysis sheds light on the scope of the circumscription of national policymakers by the theoreticians as well.

a. Comparison of Turkish and Indian Development Policies

Comparison of Turkey and India with respect to development policies reveals the difference on the locomotive sector. While the development policies of Turkey were in full conformity with policy recommendations of the center countries, India stood as the 'dissenter' against the center's strategic considerations until early 60s. In the pre-WW2 era until the inclusion of the US foreign aid policy, among LDCs, Turkey was one of the 'dissenters' that rebuffed the recommendations of the center countries to participate in the international division of labor as an agricultural country. Instead, in 30s Turkish policymakers pursued an industrialization-led development policy that was prepared by the belief that industrialization was the sole means that enabled the country's self-reliance, which meant a genuine political and economic independence.

This resistance to the center countries lasted until post-WW2. Parallel to its inclusion to the US foreign aid policy, Turkey adopted agriculture-led development policy. The American experts and diplomats justified this by the comparative advantage principle and conditioned Turkey's participation in the American foreign aid programs to this adoption. Without much option, Turkish policymakers reoriented the development policy that lasted until early 60s. In the framework of this policy, Turkey commenced agricultural mechanization program. The focus of this program was big landowners that comprised the minority in Turkish rural structure excluding the majority. This big landowner orientation was also valid for the agricultural development strategy of 60s. Adopted as an imperative policy owing to reaching the natural borders in cultivable lands, via intensive agriculture techniques, Turkish policymakers aimed to attain high agricultural outputs regardless of the social implication of these techniques.

60s indicated reorientation of the Turkish development policy. By this date Turkey adopted import substitution industrialization. This was not against the recommendations of the center countries; it was in fact in total conformity with their recommendations. Turkish policymakers assumed that by this reorientation, Turkey would attain her self-reliance as they never abandoned equation of industrialization with genuine development.

In contrast to the expectations, however, commencing by mid-60s Turkey faced serious problems with respect to industrial production and provision of the imported industrial inputs. The process led to a reinforced dependency on the center countries, instead of self-reliance.

In contrast to the Turkish policymakers who were denied of an option of being out of power politics under the land demands of the USSR, Indian policymakers enjoyed freedom from threats of neither of the superpowers. This freedom was crucial in shaping their firmness on the locomotive-sector of the development policy. Except the few initial years, until mid-60s, the locomotive sector of the development policy was heavy industrialization. Though under the prevailing circumstances the adoption of the agriculture-led development strategy was an imperative, following the production boom of these years owing to the favorable weather conditions they settled the development policy to the direction that they desired. Following these initial years, similar to the majority of the LDCs Indian policymakers adopted industrialization-led development strategy. Equating industrialization with self-sufficiency, the basic premise of this policy was heavy industry.

Though this equation, shared by the majority of the LDCs was an important determinant, in the Indian context another important determinant was the attitude of the Indian industrial capitalists. Concerning the stance, even existence of powerful industrial capital was something peculiar to India that other LDCs, including Turkey lacked. Indian industrial capitalists, on the other hand, regarded Independence as a new era of opportunities for national capitalists to dominate the domestic market. Shaped by this understanding, Indian industrial capitalists had a considerable influence in this reorientation. As a result of these determinants, using the advantage of her non-aligned foreign policy, India was able to implement her heavy industrialization-led development policies by receiving aid from the USSR in contrast to the USA refusal to raise funds for these projects.

In mid-60s, however, following successive droughts, chronic foodgrains shortage and increased dependency on foreign countries in foodgrains importation, Indian policymakers

reoriented their development policy and adopted agriculture as the locomotive sector. In the framework of this policy, India adopted intensive agriculture techniques to get maximum outputs from agriculture. Representing the second stage in the agricultural development strategies, the intensive agriculture techniques differed from the first stage. The latter distinguished by its redistributive justice rhetoric and societal approach. Strategies of the second stage, however, lacked this societal aspect. Instead they focused on the big landowners consistent with the objective defined in quantitative terms such as self-sufficiency in agriculture and high agricultural outputs and incomes regardless of the social outcomes.

In that respect the second stage of agricultural development strategy of India had common features with Turkey's, as the latter focused on the qualitative outcomes, regardless of the social impact. Like Turkey, in the second stage of agricultural development strategies, Indian policymakers focused on the minority while excluding the majority of the rural population. On the other hand, in contrast to the Indian policymakers, Turkish policymakers did not adopt redistributive justice rhetoric in these policies.

Regardless of the rhetoric, however, both Turkish and Indian policymakers aimed to develop and accelerate capitalist production relations in rural Turkey and India. Even in the most socialistic rhetoric stage this was the ultimate objective for the Indian policymakers as they regarded capitalist production relations as a precondition for the high agricultural productivity. The irony of both countries with respect to agriculture was their failure to attain self-sufficiency. While they had considerable improvements in agricultural, production policies to this end created new dependency links with the center countries concerning modern agricultural inputs. This meant a more expensive 'dependency' compared to

foodgrains as the price of the latter was more appropriate than the modern agricultural inputs and their appliances.

As a result of this approach and exclusion of the majority in both countries, the dual structure in the society was intensified. While resources were concentrated into few hands, the majority was either untouched or negatively affected by the process. While underemployment and unemployment in rural areas increased, this led to extensive migration from rural to urban areas. The untouched or negatively affected segment began to migrate to urban areas and abroad in increasing numbers where they worked in services sector to a great extent.

In industrialization, in contrast to India, by the time of Independence in 1923, Turkey barely had industrial establishments. India was the eightieth most industrialized country in the world and, excluding the USSR, second in Asia following Japan. Though they represented different industrialization levels, the outcomes of their industrialization drive did not differ much, at least for the period under study. Though they managed to reach a certain level of growth that was fluctuating, at the end neither of them attained self-reliance. Instead they had a reinforced dependency on the foreign countries with respect to foreign exchange and technology. By these features instead of a genuine industrialization both Turkey and India had pseudo-industrialization regardless of the diversification in industrial production.

While center countries contributed to this pseudo-industrialization by avoiding transferring recent technology and participated in the deviation of the priority sectors, contribution of the national industrial capitalists was through concentrating in sectors which easy and quick profit returns. Though the available relatively scarce resources can be regarded as an important determinant for this concentration in sectors with easy and quick profit returns at least for the

initial stages, the protected domestic market as well as shortsightedness of the national capitalists led them to undermine the importance of developing technologies and equipment from the imported ones. Moving from this bi-faceted contribution, the key hypothesis of the dissertation is that the unsatisfying outcomes of the development endeavors were due to the interplay of inner and external dynamics. As the problematic aspect of this contribution was related to resource allocation and capital accumulation, inner dynamics are limited to ruling elite coalition and external dynamics are to center countries, particularly the superpower of the capitalist bloc. Inner and external dynamics of Turkey and India are compared according to this definition.

b. Comparison of Turkish and Indian Inner Dynamics (Ruling Elite Coalition)

In the period under study, the ruling elite coalition of both countries underwent various changes both in terms of preponderance and composition. In the Turkish case, first of these changes occurred in the composition of the political elite. By ending the one party rule that commenced by the foundation of the Republic the general elections of 1950 led to the recomposition of the political elite. Despite two military interventions in the following decades, the 1950 Election commenced the process of democratic system in the country. Following each military intervention the country returned to the Parliamentary regime by elections, which meant recomposition of the political elite.

In India, the change in the political elite by Independence indicated a shift from the foreign to national rule. Those who were imprisoned and punished by the British rule became the political elite of the Indian Federal Republic. In contrast to the Turkish Parliament, from the very beginning Indian Parliament included opposition parties. The system that was

democratic in appearance, however, had its limitations, particularly with respect to leadership that symbolized a close knit. While the charismatic national leader Nehru remained as PM for seventeen years, after a one year tenure of Shastri, Nehru's daughter Indira Gandhi ruled the country for a long time.

The comparison of Turkey and India regarding the 'autonomy' of political elite vis-à-vis other elite groups indicates the initial more advantageous position of the Turkish political elite. In contrast to the Indian political elite that had to deal with organized and highly conscious national capitalists regarding their group interests, commencing by Independence the Turkish political elite enjoyed the absence of such conscious national capitalists. Instead complaining of the lack of class dynamics that had to be in a society, Turkish political elite defined the creation of national capitalists by state support as an important national objective. Consistent with this, the process witnessed the emergence of national capitalists as a separate elite group.

Another important feature of this process was the recomposition of the national capitalists among themselves. This recomposition was with respect to change in the preponderance of the trade and industrial capitalists. In the Turkish case, in contrast to the predominating position of the trade capital until early-60s the preponderance among the national capitalists shifted to the industrial capital following this date. Relying on the favorable conjuncture, the majority of the big trade capitalists converted into industrial capitalists. This conversion process commenced in mid-50s and lasted in 60s. It was in this empowerment and conversion era that the industrial capitalists preferred to pursue a conciliatory relation with the political elite. However after this date, parallel to their empowerment the industrial capitalists declared their 'autonomy' against the political elite. It was in late-60s and early 70s Turkish industrial capitalists attained the level of Indian industrial capitalists of 1947. As a relatively new

phenomenon for the Turkish policymakers, the challenge of the industrial capitalists was the expression of their group consciousness.

With respect to organized behavior, group consciousness and differentiation Indian capitalists had a considerably advanced position by Independence. In contrast to Turkey, nationalist capitalists of India had already differed as trade and industrial capitalists. Owing to the favorable conjuncture regarding the importance of industrialization as well as their monopolist character, the industrial capitalists had preponderance among the Indian capitalists. They reinforced their advantageous position through establishing their organization that acted as the mouthpiece of the big industrial capitalists. This was a level that Turkish industrial capitalists managed to attain in late 60s and early 70s.

The industrial capital was an important component of the National Movement, in contrast to other elite groups. Excluding the minority, majority of the industrial capitalists supported the national movement. Preferring to be a silent force in the national movement, some leading names top among which was G.D. Birla financed the national movement as they regarded the foreign rule as the greatest challenge for their interests. They were aware of the fact that they would be denied of the right to exploit the domestic market freely while the British capitalists had a dominating and powerful position.

The process confirmed this belief of the national capitalists, yet the national rule did not assure a tension-free relation between the political elite and industrial capitalists. Facing various policy arrangements of the political elite which attempted to curb the influence of monopolist capitalists, the latter was successful in emasculating these policies. While adopting a conciliatory tone and establishing relations network with the high echelons of the

bureaucracy, the industrial capitalists rebuffed the demands of the political elite through manipulating the most sensitive issue of reducing the production outputs. Similar to the Turkish case, Indian policymakers failed to 'discipline' the dominating national capitalist group even in their wasting of resources and distortion of the national objectives with respect to industrialization.

Briefly, regarding the recomposition of the political elite and national capitalists, Turkey and India had common features. In both countries the change in the political elite was regarded in personas, yet in the Indian case this change also indicated a shift from foreigners to Indian nationalists. The recomposition in the case of national capitalists, on the other hand, was related to the preponderance of the differentiated capitalists. Different from India, Turkey by Independence lacked industrial capitalists and had trivial trade capitalists. By time, consistent with the national objective of creating capitalists by the state support and the conjuncture favoring industrialization, industrial capitalists emerged and had the preponderance among the Turkish capitalists. This was same with the Indian capitalists' composition patterns.

Another resemblance between Turkey and India was related to the civilian bureaucracy's position in the established regimes as well as their stance in the ruling elite coalition. Representing the continuity with the past, both state systems endowed increasingly crucial roles to the civilian bureaucracy, particularly with respect to resource allocation. In the Turkish case the recomposition of the political elite in 1950 indicated a new beginning in the relations of the political elite and the civilian bureaucracy. In contrast to the political elite of the one party rule, who established their rule on the civilian bureaucracy, the new political elite of Turkey commenced an anti-bureaucracy rally. Defining their term as the public rule,

the new political elite manipulated the estrangement of the mass from the bureaucracy. In the eyes of the mass, bureaucracy represented authoritarianism of the one party rule.

Despite its anti-bureaucracy rally, however, the new political elite had limited scope of action vis-à-vis bureaucracy, as the latter was the indispensable means for the state administration. Consequently, the anti-bureaucracy rally limited to the purge of the high echelons of the bureaucracy as well as restriction of vast incentives rather than restricting their role in the system. Parallel to this purge the new political elite created a “committed” bureaucracy who supported the new rule. De-influencing and purge of the pro-RPP and creation of pro-DP bureaucrats among the high echelons of bureaucracy distinguished the process.

This lasted until the military coup of 1960 when the military administration made arrangements to improve and reinforce the position of the civilian bureaucracy in the ruling elite coalition. It not only empowered the civilian bureaucracy through endowing resource allocation decision-making but also attempted to institutionalize the provided advantages via establishing the planning organization. This attempt of empowerment, however, did not lead to lasting influence. Commencing in mid-60s following the JP’s ascension to power as the ‘inheritor of the DP’, civilian bureaucracy considerably lost its advantageous position. Through various strategies the JP successfully emasculated arrangements which empowered the civilian bureaucracy as the decision-making body for resource allocation. In addition, like its predecessors the JP created pro-JP bureaucrat cadres among the high echelons of bureaucracy.

Not only the political elite but also other elite groups had the same policy line regarding the civilian bureaucracy. Though they criticized the role and expansion of the civilian

bureaucracy, due to the latter's ability in executing the procedures and legislation, these elite groups adopted a conciliatory approach.

Similar to the Turkish case, Indian civilian bureaucracy faced jealousy of other elite groups. Their identification with the foreign rule led to the development of an anti-bureaucrat rally during the national movement. Despite the humiliating approach, however, independence represented a new beginning for the Indian civilian bureaucracy since for the first time they held the administrative posts. In contrast to the British rule when the Indian civil servants were denied taking initiatives but only executing the decisions of the British administrators, by Independence they replaced these administrators and held administrative posts.

Besides, as the state ruling was impossible without these civilian bureaucrats in a short while after independence the political elite compromised with the civilian bureaucracy. Even in this compromise, however, the charismatic political leader Nehru underlined the superiority of the executive vis-à-vis the civilian bureaucracy. Similar to the British administrators, Nehru attempted to develop an administrative system that left minor initiative taking opportunity for the civilian bureaucracy. In this attempt, however, he had serious limitations owing to the federal administrative structure. Furthermore, the adopted planned economy as well as expanding public sector reinforced the position of the civilian bureaucrats.

The turning point in the political elite-civilian bureaucracy interaction was, however, the death of Nehru. His successors pursued policies which empowered the stance of civilian bureaucracy. While Shastri commenced the process arbitrarily, it was Gandhi who laid the basis for the institutionalization of this reinforced stance. PM Shastri regarded the setting up of a 'shadow cabinet' comprised of civilian bureaucrats as obligatory owing to his limited

knowledge on administrative affairs. Gandhi, on the other hand, left the administrative issues to the civilian bureaucrats who were 'committed' to her while she was coping with her opponents. Consequently, in the process, the civilian bureaucracy enjoyed a reinforced position at the center.

At state level, on the other hand, there were various cases which circumscribed the power of the civilian bureaucracy. However, as the system endowed the civilian bureaucrats with various powers including resource allocation, in fact, the challenge against them was much limited than it was assumed. Due to their powerful stance that could be used for the efficient implementation or emasculation of policies, the civilian bureaucrats were regarded as the indispensable partners by the elite groups who aimed to emasculate the policies. Not only the capitalists but also the rural elite regarded conciliation with these bureaucrats as crucial for the preservation of their vested interests. This factor lied at the core of the criticism of the civilian bureaucracy regarding the unsuccessful and unsatisfying implementation of the development policies.

In sum, the civilian bureaucracies of Turkey and India had an important role in the systems, particularly with respect to the allocation of resources to various programs and policies. Though inaccurate use, even waste, of these resources was debated frequently and the contribution of bureaucrats to the unsuccessful implementation of policies was accepted in each country, these remained only as diagnoses without initiative to improve the situation. Failure to prevent the negative influence of the civilian bureaucracy on the development process in Turkey and India was related to their being the backbone of the execution as well as ineptness and reluctance of the political elite to undertake an overall administrative reform.

With respect to the components of the ruling elite coalition, the most striking difference between Turkey and India is the military bureaucracy. Because of the inherited British administrative system the Indian political elite was oversensitive to keep the military bureaucracy as a subordinate to the political elite and civilian bureaucracy. Though there was a general belief in the impossibility of a military intervention in such a huge geography like India parallel to the military interventions and political instability in Pakistan, anxiety of the Indian political elite's regarding the military bureaucracy increased. Frequent shifts in the upper ranks and disregard of the recommendations of the high rank military bureaucrats were among the most favorite strategies of the political elite, developed to keep the military bureaucrats in a subordinate position.

In this respect Turkey differed from India, with a difference that could be explained on state tradition basis. Though the Founding Fathers attempted to keep the military bureaucracy away from the ruling elite coalition and made it subordinate to the political elite and civilian bureaucracy, success of these arrangements was not permanent. This subordinate position lasted only for three decades. Relying on the economic problems as well as Turkish political elite's increased loneliness in the Western bloc, the military intervened to the democratic process. By the Military Coup of 1960, military bureaucracy successfully established mechanisms which served to the institutionalization of its interests. By these mechanisms it reinforced its position in the elite coalition vis-à-vis other components. Because of the military bureaucracy's participation to the highest administrative body and its influence on every policy decisions, different circles defined Turkish democracy as a quasi-democracy.

Owing to its empowered position within the ruling elite coalition the military bureaucracy has been an important determinant in politics and resource allocation, which is not the case in

India. By its immediate announcement following the Military Coup of 1960 concerning Turkey's foreign policy the military bureaucracy underlined its pro-Western policy line. Occurred in a short while after the Iraqi revolution of 1958, Turkish military coup represented just a contrary case in comparison to the first. In 1971, though its impact was not evident, it should be noted that the so-called reform government set up following the military memorandum of 1971 was responsive to the demands of the US administration regarding the ban of poppy cultivation.

As mentioned previously, through establishing mechanisms the military bureaucracy achieved the institutionalization of its interests. The National Security Council (NSC) enabled the military bureaucracy's continuous participation in the decision-making process on the most strategic national issues. Its establishment indicated new balances in state administration. The political elite who represented the national will had to share its decision-making power with the military bureaucracy. Ironically, the political elite was used in the justification of the NSC. Referring to previous years, the military bureaucracy defined the NSC as a precautionary mechanism to prevent political elite's indifference to its views.

The empowered position of the military bureaucracy also influenced its role in resource allocation. As revealed in the memoirs of one of the most important industrialists of the country, by establishing OYAK the military bureaucracy aimed to become an important economic force in the country. Though they became competitive rivals in the domestic market, in the process interests of the industrial capital and military bureaucracy began to be identified on economic issues due to OYAK's increasing economic power. In early 70s, OYAK turned to be one of the greatest monopolies in the country that had many economic enterprises in various sectors such as construction, tourism, insurance, automotive industry as

well as intermediary industry such as refrigerator, cement, petro-chemistry, food processing. In the diversification of the activities, it also established partnership with the foreign capital.

Concerning this identification of interests, some scholars point out the pro-capitalists arrangements that military memo of 1971 provided. For the capitalists the military intervention of 1971 was like a saving mechanism since they had difficulty in coping with a highly politicized society. The increasingly differentiated society with its dynamism, activism and militancy began to pose serious challenges to the ruling elite coalition, particularly to the industrial capitalists. Parallel to a strong trade union movement, the wave of strikes challenged the interests of capitalists, both national and foreign. Arrangements those purged the liberal elements of the 1961 Constitution that was prepared under the surveillance of the military administration of 1960 aimed to eliminate these challenges. In essence, these arrangements not only eliminated the challenges but also served the big capitalists' consolidation of power. This consolidation was possible through various economic policies such as expansion of bank credits and provision of various incentives including cheap money to the capitalist circles and arrangements regarding labor market such as proscription of strikes, restriction of right of association.⁹²² Consequently, unlike the Indian military bureaucracy, in Turkey the military bureaucracy began to shape the policies of the country at macro level since 1960 through the establishment of the NSC and OYAK.

⁹²²The relevant literature includes Vehbi Koç, *Hayat Hikayem*, İstanbul:[yay.yer],1973; George S. Harris, *Turkey: Coping with Crisis*, Colorado: Westview Press, 1985; Caglar Keyder, "The Political Economy of Turkish Democracy" in Irvin C. Schick and Ertugrul Ahmet Tonak, ed. *Turkey In Transition: New Perspectives*, New York Oxford: Oxford University Press,1987; Huseyin Ramazanoglu "The Politics of Industrialization in A Closed Economy and the IMF Intervention of 1979" and Feroz Ahmad, "Military Intervention and The Crisis in Turkey" in Huseyin Ramazanoglu, ed. *Turkey in the World Capitalist System*, Aldershot: Avebury,1985; Engin Eroğlu, *Sınıflar Açısından 12 Mart: 12 Mart Devam Ediyor Mu?*, İstanbul: Soyut Yayınları, 1975; C.H.Dodd, *The Crisis of Turkish Democracy*, 2nd Edition, Cambs: The Eothen Press, 1990; Metin Heper, *The State Tradition in Turkey*, Northgate: The Eothen Press, 1985; Suat Parlar, *Silahlı Bürokrasinin Ekonomi Politikası*, İstanbul: Bibliotek Publications, 1997; William Hale, *Türkiye'de Ordu ve Siyaset: 1789'dan Günümüze*, İstanbul: Hil Yayınları,1996; Kemal Karpat, *Social Change and Politics in Turkey: A Structural-Historical Analysis*, Leiden: E.J. Brill, 1973; Stefanos Yerasimos, *Az gelişmişlik Sürecinde Türkiye*, İstanbul: Gözlem Yayınları, 1976; Ümit Özdağ, *Menderes Dönemi Ordu-Siyaset İlişkileri ve 27 Mayıs İhtilali*, İstanbul: Boyut Yayıncılık, 1997

As another component of the ruling elite coalition, rural elite of Turkey and India reflected the ability to preserve its position within the coalition owing to its success in emasculating policies which challenged its interests and political power at national and local levels. The latter sheds light on the reluctance of the political elite to adopt a firm stance vis-à-vis the rural elite.

In the Turkish case, rural elite was a novel component. Their emergence in the imperial structure was possible by the deterioration of the imperial administrative system and population mobility during war years. Though they got important concessions from the imperial administration, the rural elite was never regarded as a component in the imperial elite coalition. Their rise to this coalition was possible by the Anatolian Revolution when the Turkish nationalists had to rely on them during the national movement. Despite this reliance on landed interests, however, in the aftermath of Independence Turkish political elite was cautious to preserve its dominating position vis-à-vis other components. This lasted until late 40s when they began to challenge this dominating stance owing to the autonomy they had parallel to the accumulated capital during the war years. By the shift in the locomotive sector heyday of the Turkish rural elite commenced and lasted until 60s. Though later on during the military interventions, power of the rural elite was attempted to be challenged, these were not successful attempts. The rural elite successfully rebuffed them owing to its influence in politics and its consciousness to have an important role in the Turkish economy.

In India, on the other hand, the rural elite represented continuity with the past. During the British rule, the rural elite was a component that the central administration relied on. It acted as a means for the expropriation of the land revenue. Identifying their interests with the

continuation of the British rule the rural elite did not support the national movement. Their anxiety regarding the national administration proved to be true in the aftermath of the Independence. Consistent with the promised land vision, political elite adopted a pro-tiller and anti-feudal policy line that aimed to attain structural changes in rural India.

Though creation of a more egalitarian social order with respect to equality of opportunity in rural India represented one facet of the objectives, the ultimate objective of these policies was the acceleration of capitalist production relations in rural India. Capitalist production mode was regarded as an antithesis for subsistence agriculture distinguished by low productivity. In contrast to the expectations, however, these policies were successfully emasculated and prevented by the rural elite. At the end, their interests remained untouched or reinforced.

While the above-mentioned policies represented the first stage of the agricultural development policies, the second stage commenced in mid-60s. By this date Indian political elite adopted an agriculture-oriented policy line. This adoption served to the empowerment of the capitalist farmers within the elite coalition and the rural structure, owing to the mechanisms, successfully promoted the flow of public resources to the rural elite. Similar to the industrial capitalists, by manipulating the anxieties of the political elite regarding production output level, the rural elite enjoyed huge concessions. Instead of the trickle down of accumulated capital and benefits, however, concentration of resources as well as intensified dual structure observed as a result of these policies.

The intensification of dual structure and concentration of resources in few hands were not peculiar for India. These were the same outcomes observed in Turkey. Empowered the stance of the rural elite vis-à-vis the rural mass these policies also resulted in the diversification of

the rural elite as semi-feudal landlords as well as capitalist farmers. In most cases the big landlords those preferred absentee landlordism, successfully adapted themselves to the prevailing circumstances and converted into capitalist farmers. This ended mono component structure of the rural elite but did not lead to a considerable weakening of the absentee landlords owing to the latter's influence and power in politics.

Interaction between the components of the ruling elite coalition was distinguished by various confrontations, tensions as well as alliances. In these interactions each elite group endeavored to reinforce its preponderance within the coalition, which was crucial in shaping (or distorting) policies and allocation of resources. Discontent of the political elite of Turkey and India from the increased autonomy of the civilian bureaucracy was one of these confrontations. As the resource allocation power in the system empowered the related group's influence, the political elite grew envious to be the sole group regarding resource allocation.

Another example was the confrontation of industrial capitalists' of both Turkey and India with the rural elite. On the land reform and agricultural income tax issues both Turkish and Indian industrial capitalists exerted pressure on the political elite parallel to the stalemate in domestic markets, prevailing low agricultural level and their increased autonomy vis-à-vis other elite groups. The demand for land reform was totally adverse to the initial reaction of Turkish and Indian capitalists as initially they totally opposed land reform and supported the rural elite of their countries. This opposition was due to their anxiety that land reform would be the first step for the abolition of private property. This was an anxiety fed by the intense Cold War years of 40s, which was not the case in 60s.

Yet the interaction between the components of the ruling elite coalition represented one facet, as the other facet was related to the ruling elite coalition and the mass. Whatever the change in the composition of the ruling elite coalition, there were some concepts and policies adverse to the interests of the coalition and led them to develop a “common language” to preserve their interests and concessions. Distinguished by their low domestic capital accumulation like other LDCs there were various attempts in Turkey and India to increase the level of domestic capital. Yet these attempts were successfully rebuffed by the elite group coalition. Instead, by successfully manipulating the prevailing conditions they developed mechanisms which served to the continuous flow of the public resources such as bank credits, nationalization policies and vast incentives top among of which was subsidies.

In both countries the ruling elite coalition did not tolerate the policies that aimed at structural changes in rural Turkey and India. While emasculation of the Village Institutes in Turkey was justified by the communist phobia of the majority, in India, Community Development Programs were emasculated through the rural elite’s domination of the grassroots level organizations and absorption of the funds earmarked to these organizations.

Another policy issue aiming at structural changes in rural Turkey and India was the land reform issue. In the Turkish context, land reform remained mostly untouched despite long debates regarding its social justice implications. In the Indian context, there were various land reform policies justified by social justice and agricultural productivity. Outcomes of these policies were, however, far behind the objectives caused by the successful interference of the rural elite in emasculating and preventing these policies.

Tax reform issue was another example. Development of a just tax system was defined as a fundamental solution to low domestic savings. Yet in both countries political elite failed to develop tax systems particularly due to the group consciousness of the capitalists and rural elite. In this process, the proportion of the direct and indirect taxes was distorted in favor of the first, which indicated the injustice of the tax systems. Though there were various attempts to develop just tax systems, these attempts were either prevented during the bill debates or abolished after brief enactment. In this prevention, both capitalists and rural elite manipulated the production outputs issue on which the political elite was oversensitive.

There were also policies such as bank credits, subsidies of various kinds those enabled the flow of public resources to the elite groups. Capitalists and rural elite were the main beneficiaries of the bank credits and various exclusive credit schemes which were justified by referring to petty entrepreneurs or small landholders. Subsidies, on the other hand, comprised the most important mechanism that enabled the lasting flow of public sector resources to the hands of the few. As a result of broadening subsidies, both Turkey and India had to apply deficit financing that led to high inflation rates in both countries. As the minority absorbed the public resources, scarce capital of Turkey and India was not used for priority fields defined by the political elite and planners of the countries.

These policies were crucial as they reflected the vicious circle of these countries. Though suffering from low domestic capital due to the political elite's failure to 'discipline' these elite groups the available resources, including the foreign aid, were wasted to satisfy the expectations of these elite groups. Through their successful interference, the process turned out to be a capitalist capital accumulation, instead of a broad based development. This outcome invalidated the claim that underdevelopment was due to low domestic capitals.

Though this was an important determinant, it was not the only one. Even when there was considerable amount of capital accumulation, owing to the pragmatism, group-centricism and shortsightedness of the elite groups the accumulated amount was not efficiently used. Elite groups of Turkey and India lacked not only innovative but also rational thinking.

c. Comparison of Turkey and India in Terms of External Dynamics

The ruling elite coalition of Turkey and India, however, represented only one dynamic in this process. As countries got integrated into the world economy, external dynamics were crucial for Turkey and India. The external dynamics, which indicated center countries, were crucial due to their impact on the development policies and resource allocation. For the era under study, as the new superpower of the western capitalist world the USA was crucial as it developed and implemented the basic means, namely foreign aid policy. This institutionalized the dependence of the LDCs on the superpower.

Examination of the process, however, reveals that the role of the center countries in the process was not limited to the supply of foreign exchange. Through various interventions and sanctions, the center countries contributed to the unattained ultimate objective of self-reliance. Representing various levels of interaction between the center and peripheral Turkey & India, there were various economic, military and diplomatic issues all of which had important economic implications which influenced the capital accumulation and resource allocation of Turkey and India.

In the initial years, as the main donor of Turkey and India, the USA and US-led international organizations recommended agriculture-led development policy by relying on comparative advantage principle. In their affirmative response to this recommendation, Turkish

policymakers reoriented the development policy of the country. In contrast to industry-led policy of 30s and early 40s, in the post-WW2 era agriculture became the locomotive sector of the Turkish development policy. While the scope of the consensus among the Turkish political elite on the accuracy of this reorientation remained unknown, despite the dominating pro-agriculture rhetoric among policymakers, an important determinant in this reorientation was its being the precondition for Turkey's inclusion to the US foreign aid policy. This reorientation reinforced Turkey's role in the international division of labor as an agricultural country that exported primary goods while importing manufactured goods. The process proved to the disadvantage of Turkey with respect to the disproportion in prices among the primary and manufactured goods.

India's adoption of the agriculture-led development policy for a short time, on the other hand, did not represent its responsiveness to the recommendations of the center countries. Instead, the prevailing conditions in the country compelled the policymakers to adopt this policy for a short time span. Following the attainment of high production outputs in agriculture, India adopted heavy industrialization-led development policy that was highly criticized by the US administration. As an indicator of this disapproval, the US administrations refused to finance the Second 5 Year Development Plan distinguished by its reorientation to heavy industrialization drive. Though this refusal was disappointing for India, owing to her non-aligned foreign policy she managed to raise funds from the USSR to implement the Plan.

Criticisms of the center countries regarding industrialization except the primary light industries lasted until late 50s. By this date, a shift occurred in the policy recommendations of the center countries. In contrast to the agriculture that was regarded as the best economic activity for the LDCs, the same circles began to recommend industrialization. Though they

preserved their reservations on the appropriateness of heavy industrialization, the US began to allocate resources for industrialization schemes. By this shift India began to receive considerable amount of aid allocations.

The impact of this shift was observed in the Turkish case when the US and US-led organizations recommended import substitution industrialization for Turkey. Though the new policy line was in conformity with the national objectives of the LDCs, including Turkey and India, in contrast to the expectations, the policy did not lead to self-reliance. Instead it resulted in a more reinforced dependency between the LDCs and center countries as the latter avoided transferring the recent technology to the LDCs to preserve their dominance.

India reoriented its development policy in mid-60s parallel to successive droughts, increased foodgrains deficiency and increased importation in the country. Shaped by the recommendations of the center countries India adopted intensive agriculture techniques distinguished by its region-wise and big landholder features. This was a policy suggested not only to India but also to other LDCs, including Turkey whose agricultural production outputs were far behind the defined objectives. Parallel to India's adoption of intensive agriculture techniques, Turkey also adopted these techniques. Similar to the recommended agriculture development policy of 50s, the intensive agriculture techniques excluded the majority of the rural population. Other outcomes of the policy had similarities with the previous policy, such as acceleration of capitalist production relations in rural areas, intensification of the dual structure as well as unequal income distribution.

Another impact of the center countries on the development process of the LDCs was related to the demand for promotion of a favorable environment for the private capital, both domestic

and foreign. First of all, this demand had ideological connotations as private entrepreneurship was identified with capitalism. Another determinant beneath this demand was, however, related to the preference of the private capital as investment fields. In contrast to the priority sectors that the LDCs defined as crucial for development and self-reliance of the country, private capital in general preferred sectors that had quick and high profits. This preference resulted in the distortion of priorities of the LDCs to a great extent as the available resources had to be earmarked for unproductive luxury consumer goods.

This was a common ground for domestic and foreign private capital, which acted as an impetus for the establishment of joint enterprises. This preference also indicated the semblance of the outcomes in Turkey and India, which differed considerably regarding the proportion of foreign capital. In contrast to India, Turkey had relatively small proportion of foreign capital. Yet, this did not change the earmarking of resources to unproductive ends, particularly to consumer goods sector as the domestic private capital had the same tendency. This preference was crucial particularly with respect to its contribution to the emergence of pseudo-industrialization.

Liberalization of foreign trade as well as devaluation of national currencies were among the main economic issues between the center and periphery representing the other dimension of the center's strategies which influenced the development process of the aid recipient countries. As liberalized foreign trade regime was defined as the basis of the multilateral trade regime it had ideological connotations. This was the reason why both center countries and center-led international agencies raised this issue at every occasion, particularly at the vulnerable times of the aid recipient countries. Responsive to recommendations of the center countries, both Turkey and India liberalized their foreign trade regime. This did not last long

due to the increased balance of payments problem. However, even those short liberalized periods had devastating impacts on the economies of both Turkey and India.

Devaluation of the national currencies, on the other hand, was brought to the agenda at the very vulnerable times of the aid recipient countries, mainly in the midst of foreign exchange crisis. Conditioned as the foreign aid packages that these countries urgently asked for, the devalued currency aggravated the loan burden and served to the benefit of foreign firms who made payments to Turkish public institutions in national currency. In contrast to the assumption, devalued currency's impact on expansion of markets for the primary export goods was limited.

Not only the economic issues but also every aspect of the center-periphery interaction had various negative impacts on the economy of the peripheral countries. Military issues were among these issues. The Cold War context promoted an international atmosphere that justified increased defense expenses. It also accelerated the armament of many countries. As a factor armament not only served to the depletion of available resources but also increased the dependency of peripheral countries to the center regarding military equipment and armament.

In the Cold War context, Turkey's membership to NATO was welcomed as it reinforced Turkey's integration to the West. This membership spontaneously led to an increase in the defense expenditures of the country which meant a great burden on the Turkish budget. In other words, it indicated earmarking of available resources to military instead of development. In a consensual manner the increased defense expenses were justified by the increased defense ability of the country. Illusionary aspect of this justification was, however, revealed during the Cyprus crisis of early 60s. Turkey, like other aid recipient countries, bound itself to

the permission of the US administration for the usage of the US-provided arms. This feature shed light on the fact that despite huge expenditures, Turkey lacked a sound defense system.

Regarding this issue, India represented another case. Refusing military alignments and pacts, India criticized the USA for the rapid armament of countries via these pacts. This was the reason why Indian policymakers harshly reacted to Pakistan's armament by the USA as by this act the latter brought the Cold War to the borders of India. Until that time the motto of the Indian policymakers was to spend the possible minimum amount for defense and earmark the possible maximum available resources for development. By the new factor of armed Pakistan, however, India had to increase the defense allocations and commenced rapid armament. As frequently aroused by the Indian policymakers the artificially created armed Pakistan led to the increased amount of allocations for defense instead of development.

Comparison of the interaction between the USA and Turkey & India on diplomatic issues reflected another dimension of the center's impact on resource allocation process. The US policy regarding Turkey and the Middle East countries aimed to create a controlled 'center' in the periphery. While Arab countries were regarded as the periphery of the periphery, Turkey was endowed with the role of the center in this periphery. Realization of this scheme would enable the USA to keep a very strategic geography under control via 'center' Turkey. When this strategy was backfired, however, Turkey had to pay a high cost, namely loneliness in the international arena as she was regarded as the frontier force of the USA. This loneliness found its expression in the voting of UN resolutions and loss of markets. The latter indicated loss of possible foreign exchange earnings for the country.

Interaction of the USA and India represented a contrary example. In opposing India's non-aligned foreign policy and assumed leadership among the non-aligned countries, the USA, in essence, opposed India's attempt to become the center of its periphery as it was adverse to the interests of the USA. Realization of this would lead to an 'uncontrolled' center that had an influence on a huge geography important with respect to natural and strategic resources. Though the US policies aiming to prevent this centralization of India were failed, owing to the China factor India could not attain her objectives to a great extent.

In sum, as the above-mentioned analyses indicated failure of Turkey and India in attaining self-reliance by early 70s was not due to only one particular dynamic. Instead it was due to the interplay of inner (ruling elite coalition) and external (center countries) dynamics. While the elite groups of both countries interfered to the process to enable the diversion of the resources for their benefits as well as emasculate or prevent any arrangements which challenged their interests, the center countries interfered with the process to preserve their dominance in the center-periphery dichotomy. Center's most favorable means in attaining this objective was policy recommendations that prevented the peripheral countries' attainment of self-reliance mainly due to waste of available resources.

The question whether this interplay was a vicious circle led to another question whether the inner or external dynamics had more contribution to the unattained self-reliance. The last question was so crucial and controversial that it led to the emergence of conflicting development paradigms which explained the cause of less development from different perspectives and recommended policies accordingly. Categorized as *orthodox* that defined underdevelopment with respect to prevailing domestic factors and *heterodox* that development thinking explained it in the framework of center-periphery dichotomy, these

development paradigms provided theoretical setting for the development policies and priorities of the peripheral as well as policy recommendations of the center countries.

While orthodox development thinking provided the theoretical setting both for the donors and policymakers of the LDCs until early 60s, heterodox development thinking emerged as a challenge to the orthodox development thinking. In the following pages impact of development paradigms of the post-WW2 on the preparation and implementation of development policies as well as policy recommendations of the center countries are analyzed to reveal the contribution of theoreticians to the failure of development process of the LDCs, including Turkey and India.

d. Analysis of policy recommendations, development policies and outcomes with respect to development paradigms

Examination of the Turkish and Indian development policies reveals their conformity with the theoretical setting of development. Impact of the growth orientation of the orthodox development thinking is observable in the policies of Turkey and India. Ignoring the qualitative dimension extensively, both the Turkish and Indian policymakers focused on the quantitative dimensions. Success of the policies was defined with respect to the sectoral and overall growth rates, which in most cases satisfied the policymakers.

However, there were various issues whose undermined this ‘success’. Concentration on the growth orientation indicated the policymakers’ lack of concern on the question of distribution aspect of the growth. This was another conformity with assumptions of the orthodox development paradigm. Policies which concentrated on certain segments of the population

while excluding the majority were shaped according to the trickle down principle. Industrialization policies as well as big landholder-oriented agricultural policies were developed according to this principle. Though the policymakers of Turkey and India were successful in pouring the resources to the elite groups, they did not repeat the same success in the diffusion of these resources. This was mainly due to the preferences of these upper segments. More than diffusion, these segments spent the resources into materials which could not be diverted to the lower segments such as luxury items, or education at prestigious schools.

Accepting the assumption that the development process did not promise happiness to all, the intensified dual structure and increased inequality in income distribution did not alarm the policymakers. Instead it was regarded as an imperative ‘bitter pill’ that had to be taken for that stage but that led to future wellbeing of the all. Consistent with this principle they developed policies/mechanisms such as tax arrangements, credits and subsidies that served the concentration of capital into few hands.

This duality, in fact, shed light on the partial attainment of another premise of the development paradigms, namely modernization according to which development process led to structural changes in the LDCs, which is distinguished by the predominance of traditional sectors. Interpreted from the dual economy model, prevalence of the dual society proved the failure of development endeavors as it did not result in vanishing of the traditional sector.

In line with the classical economic thought that relied on comparative advantage principle Turkey adopted agriculture-led development policy in 50s. However, consistent with the

change in the recommendations of the center countries, Turkish policymakers redefined the locomotive sector of economy as industry to attain self-sufficiency. This was consistent with modernization the main argument of which was industrialization's being the fundamental means for development. India, on the other hand, despite all criticisms of the center adopted heavy industrialization-led development policy. Critics of this development policy define it as an original Nehruvian development policy that lacked western traces. Yet this did not reflect the facts, as the Indian development policy was prepared according to Rosenstein-Rodan's big push idea and Hirschman's unbalanced growth theory.

Another criticism of the center countries in the initial years of Indian development policy was planned economic model. Though this was again in line with the big push theory, center countries criticized planned economy until they concluded the necessity of planning in mid-50s when they diagnosed waste of resources in the LDCs. When they recommended planned economy for Turkey, however, initially they faced the rejection of this idea by the Turkish policymakers. This lasted until early 60s. After the military coup of 1960 Turkey adopted planned economic development that was in conformity with the center's recommendations.

In mid-60s both Turkey and India adopted intensive agricultural techniques for agricultural development. This adoption was not shaped by comparative advantage principle; instead it was in accordance with the dual economies model. Without neglecting industry, in both countries considerable amount of allocations was earmarked for agricultural development. Outcomes of these techniques, however, invalidated the model's assumption. In contrast to the assumption that expansion of modern/capitalist sector absorbs surplus labor force, in practice due to the capital-intensity of the techniques, this sector's labor force absorption capacity remained low. What aggravated the problem in Turkish and Indian context was the

capitalist/modern sectors failure to generate employment. The majority of the rural population continued to survive in the traditional sector while those who migrated to urban areas was mostly absorbed by the service sector.

Wide use of technology particularly in agriculture was not a particular component of dual economies model but orthodox development thinking in general. According to this, modernization and development lead to an increase in the use of science and technology regardless of the suitability and additional costs of these technologies on LDCs. Turkish and Indian examples confirmed this assumption. In the process, both of these countries increased the level of technology use. However, as these technologies were imported they posed high financial burden on the economies of Turkey and India. Not developed or domestically produced technology became the fundamental means for the center to preserve its dominance vis-à-vis the LDCs, including Turkey and India.

Commencing in mid-60s the pursued policies began to be criticized in Turkey and India. This was due to the existing dualities in the society, increased inequality in income distribution and concentration of resources in few hands all of which proved the failure of the trickle down mechanism of development. Critics in Turkey and India pointed out the untouched majority despite the acceleration of capitalist relations in the society. Like many other LDCs, criticisms not only remained in rhetoric but also found its expressions in various mass movements. For the sake of preservation of the order, policymakers of LDCs adopted either military interventions or other sorts of authoritarian regimes.⁹²³

⁹²³Quoted by Frankel, "Modernization and Dependency Theories :Is a Social Science of Development Possible?" p.95

This was valid both for Turkey and India. While in Turkey military intervention of 1971 justified by the increased anarchy in the society owing to the people's politicization and frustration, in India anxiety of widespread mass movement led Gandhi to declare emergency rule in mid-70s. However, before these authoritarian rule preferences, policymakers of both countries adopted rhetoric sensitive to the concerns of social justice. This rhetoric was again in conformity with the development paradigm when its emphasis shifted to growth with equity. In Turkey while there was more emphasis on the necessity of social justice despite lack of agreement on the definition of this concept, the main opposition party referred to the prevailing injustice in rural Turkey by adopting the rhetoric of 'land to the tiller'. In India the adopted garibi horatio rhetoric was in line with this development paradigm.

While the growth with equity concept was novel for Turkey, it was not the case for India. They differed on rhetoric in the initial years. In contrast to the Turkish policymakers who complained that Turkey lacked the social dynamics due to lack of classes, Indian policymakers aware of the existing dynamics as well as rising expectations of the mass adopted redistributive justice rhetoric in justifying and preparing their policies. Though this principle was never practiced owing to the successful intervention of the elite groups to emasculate them, Indian policymakers, withdrew this notion by mid-60s when they faced the gradual returns of the outcomes of these policies. Therefore, Gandhi's garibi horatio was in fact a return to the rhetoric of Nehru era.

This brief analysis of the policies and outcomes with respect to the orthodox development paradigm indicates that policymakers of Turkey and India acted according to the premises of orthodox development thinking on basic issues including concentration of resources in the upper segments as they were believed to spend their savings for new investments, developed

policies which resulted in this concentration of resources such as subsidies, tax arrangements and credits as well as their ignorance of the deteriorating plight of the mass.

This conformity with the paradigm, on the other hand, brings another question regarding the autonomy of the policymakers in determining the policies vis-à-vis theoreticians. In other words, while the policymakers of the LDCs were criticized, those who provided the theoretical setting remained silent observers of the process when billions of people were subjected to their theories.

The question of autonomy could not be limited to the policymakers of the LDCs, including Turkey and India as the orthodox development paradigm also provided the theoretical setting for donors. They relied on the premises of the paradigm when they extended loans to the LDCs. The modernization appeal of the paradigm was used for the justification of the foreign aid to LDCs since contribution of the advanced industrialized countries is defined as to guide the LDCs by sharing their capital and know-how to bring these countries into the modern age of capitalism and liberal democracy. In this framework, free flow of foreign capital as well as aid are defined as imperative means since the LDCs were mostly distinguished by their low capital accumulation that impeded their development endeavors.

Moreover, modernization appeal correlated with the expectations of the LDCs as both the paradigm and policymakers of the LDCs agreed that industrialization is the fundamental means for development. While policymakers of the LDCs defined industrialization as the sole means to attain self-reliance, the development economists had a consensual view that

industrialization was the most prominent feature of capitalist development, economic growth and alleviation of poverty.

Yet the donors were not all the time in full conformity with the theoreticians. While they adopted comparative advantage principle and influenced the policies of LDCs, the leading trend within the development paradigm referred to the essentiality of industrialization for economic growth. Later on, when center countries concluded that industrialization of the LDCs would not challenge their dominance on condition that the center preserved the recent technology in their hands, industrialization attempts of the LDCs received less criticism.

The autonomy of the policymakers of Turkey and India was under question by the critics of the development policies and their outcomes. In their criticisms, they referred not only to the deficiencies of policies but contribution of the center to the process which was regarded as a failure from the perspective of self-reliance and social justice. Consistent with the dependency theory, these critics referred to the disadvantageous position of the latecomers' vis-à-vis the advanced countries.

As the conclusion of this dissertation, the researcher had full agreement with the criticisms of the orthodox development paradigm. Through the analysis of Turkish and Indian development policies and their implementation it can be concluded that basic argument of the dependency theory related to the close interplay of the center and peripheral countries is valid. Yet to adopt a mechanical interpretation of dependency theory is not convincing. Attainment of self-reliance by some latecomer peripheral country leads to an optimistic view that what LDCs faced was not a vicious circle. More than the strategies of the center countries, success of

these latecomers has been explained with respect to the political elite's ability to discipline other components of the ruling elite coalition, particularly capitalists who have been obliged to make exportation.

The degree of the peripheral countries' freedom from the center, however, is an important determinant regarding the question of self-reliance. Policymakers of the countries whose geopolitics, available resources and market potentialities make them so valuable for the center could not enjoy vast freedom vis-a-vis the center as the latter could not risk their being uncontrolled self-reliant powers. Consequently, failure of each country in the unattainment of self-reliance has to be analyzed separately.

In the case of Turkey and India, during the era under study the interplay between the inner and external dynamics was crucial. It gave the impression that both the inner and external dynamics contributed to this outcome equally. While the political elite failed to 'discipline' other components the distinguished feature of which was the obsession with high profits and preservation of their power, the center countries regarded Turkey and India as crucial with respect to geopolitics, available resources and market potentialities. This obsession of high profits can be interpreted with respect to their relatively scarce resources, lack of vision regarding the possible negative outcomes of excessive dependency to foreign countries for the country was another important factor that shaped the course of events. Last but not least, an important 'undisciplined' component in these countries that also served the dependent development was the masses, which were tempted by the consumption goods and proved to be good imitators of the consumption patterns of the developed countries. This was a fact that confirmed Nurkse's argument⁹²⁴ related to the waste of resources in LDCs.

⁹²⁴Nurkse's major concern is with the problem of generating savings. Without attaching much value to foreign aid, Nurkse defines imitation of the consumption patterns of the advanced countries by the less developed countries as the possible detrimental effect on development efforts. Nurkse argues that despite large differences

in income levels between developed and underdeveloped countries consumers in the latter often seek to imitate consumption standards in the rich countries. The result of this is lower marginal propensities to save in today's underdeveloped countries than was historically the case when the advanced countries were at similar income levels. As a proof of the scope of this detrimental impact he refers to the successful industrialization process of Japan and the USSR. While the first imitated every aspect of the West in production, except consumption patterns, the latter isolated itself from the West and escape from these consumption trends.

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